Exports of Defense Products and Government Procurement Planning: New Opportunities for the Development of Ukraine's Defense Industry

SUMMARY

Resolution of the Cabinet of Ministers of Ukraine No. 875, dated July 1, 2026, introduced a special procedure for the international transfer of military and dual-use goods. The Procedure remains in effect throughout martial law and for six months following its termination or cancellation. It supplements the existing state export control framework, with Cabinet of Ministers Resolutions No. 1807 and No. 86 continuing to apply insofar as their provisions do not conflict with the new Procedure. The new export mechanism facilitate Ukrainian manufacturers' access to international markets while maintaining the priority of the needs of Ukraine's Defense Forces, end-use controls, and restrictions on critical goods and technologies.

On July 8, 2026, the We Build Ukraine think tank, together with Diia.City Union and FEU Defence, held a roundtable entitled "Exports of Defense Products and Government Procurement Planning: New Opportunities for the Development of Ukraine's Defense Industry." The discussion demonstrated support for enabling Ukrainian manufacturers to access international markets through a controlled mechanism. At the same time, it highlighted a number of financial, procedural, and legal issues that may hinder the mechanism's practical implementation unless further clarified. This brief outlines the newly introduced mechanism, summarizes the practical issues raised during the roundtable, and presents the participants' key positions and proposals for improving the new Procedure. These positions and proposals do not necessarily reflect the official position of We Build Ukraine.

PARTICIPANTS

The discussion brought together representatives of:

- the Armed Forces of Ukraine and the National Security and Defense Council of Ukraine;
- the Ministry of Defense of Ukraine;
- the State Service of Export Control of Ukraine;
- the Defense Procurement Agency;
- the Innovation Development Fund;
- state-owned and private defense industry enterprises;
- industry associations and the expert community

HOW THE NEW MECHANISM WORKS

Scope of Application

The special export procedure applies to:

- **military goods** that have been accepted into service or codified as supply items;
- **dual-use goods** that may be used in the development, production, or use of military goods that have been accepted into service or codified as supply items;
- **goods not included in the lists** of military and dual-use goods, provided that such goods have been **accepted into service or codified** as supply items;
- **military and dual-use technologies.**

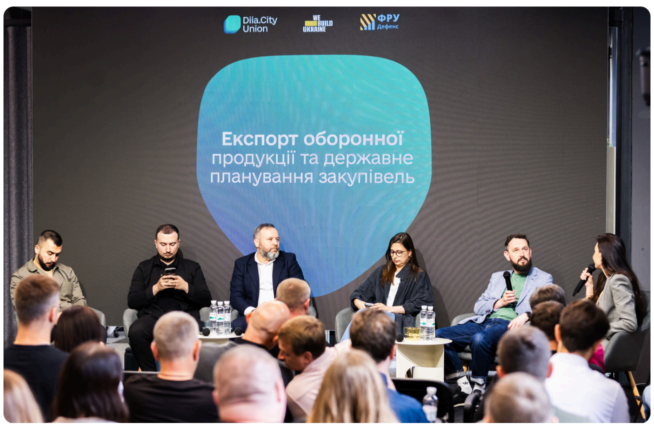
The Procedure applies to exports valued at UAH 15 million or more. This threshold does not apply to parts and components. The permit is issued by the State Service of Export Control of Ukraine (hereinafter referred to as the SSEC) on the basis of a foreign economic contract or a document indicating an intention to carry out the transfer. Export of goods that do not meet the conditions of the special Procedure, as well as other international transfers, are carried out under the general procedure and, where required by law, with the involvement of the Interdepartmental Commission on Military-Technical Cooperation and Export Control Policy (hereinafter referred to as the Interdepartmental Commission).

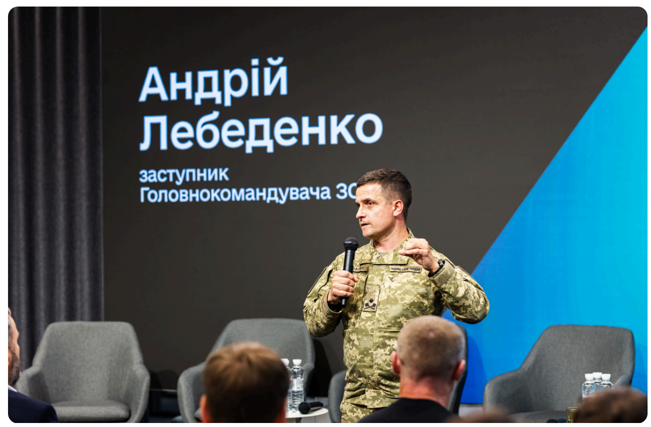
Who May Export

Resolution No. 875 amended Resolution No. 838, thereby facilitating access to export activities. Manufacturers of goods and holders of rights to technologies that execute state defense contracts or are included in the register of contractors no longer need to obtain separate authorization from the Cabinet of Ministers to export. Previously, this was a lengthy bureaucratic barrier. The basic requirements of the relevant law governing state export control remain in place: registration of the business entity with the SSEC and identification of the specific goods.

Procedure and Time Limits

- **Up to 30 calendar days** is the general time limit for the SSEC's consideration of an application.
- **Tacit consent principle**: if the Ministry of Defense (within 20 days for goods and 10 days for technologies), the Security Service of Ukraine, intelligence agencies, or state customers fail to respond within the prescribed time limit, the transfer is deemed approved.
- In standard cases, the decision is made **without consideration by the Interdepartmental Commission,** solely on the basis of interagency coordination.
- An application may be submitted **in paper or electronic form**. An information and communication system enabling fully electronic submission is to become operational within one month.
- The **permit also covers services in the form of instruction**, to the minimum extent necessary for the use of the goods





Export Destinations and Security Filters

The special Procedure applies to countries included in a list approved by the Ministry of Foreign Affairs and prepared taking into account the existence of international treaties or other bilateral instruments, such as the Drone Deal, concerning the production, supply, joint development, or technology exchange involving unmanned systems and other defense products. Two lists are required for the mechanism to operate. They are binding on the SSEC when considering applications, updated quarterly, and endorsed by the Interdepartmental Commission:

- **the list of countries** to which transfers may be made, prepared by the Ministry of Foreign Affairs based on proposals from the Ministry of Defense, the Security Service of Ukraine, the Foreign Intelligence Service of Ukraine, and the intelligence body of the Ministry of Defense;
- **the list of critical goods and technologies** whose export may pose a threat to Ukraine's defense capability, prepared by the Ministry of Defense. Inclusion of goods in this list constitutes grounds for denying a permit.

Priority of Ukraine's Defense Needs

- The intention of the Ministry of Defense or another state customer to procure the goods is **a ground for denying a permit.**
- The manufacturer may provide **written guarantees of supply** for defense needs, in which case this ground for refusal does not apply.
- If, following the refusal, the customer **does not conclude a contract within 30 days**, the same ground may not be applied again.
- **A permit may be suspended** for failure to perform state defense contracts or make the required payments, or for up to 30 days while a state contract is being concluded.

Technology Transfer: Licensing Model

Technologies are transferred under a licensing model, without the assignment of exclusive proprietary rights. The sale of technology or assignment of rights requires consideration by the Interdepartmental Commission. The importing state provides state guarantees that:

- production will be limited to the quantities and terms specified in the technology use agreement;
- any further transfer, re-export, or sale will require prior written authorization from the SSEC;
- Ukraine will be provided with information about all modifications and improvements to the products.

Permit Fee

A fee is charged for the processing and issuance of a permit:

- 20% of the value – finished products;
- 30% of the value – components;
- 20% – technologies. The calculation is based on the quantity of goods covered by the licence, valued at the procurement prices paid by state customers or on the basis of an expert appraisal;
- 20% of the value – transfer to third countries of products manufactured using the transferred technologies.

KEY PROBLEMS AND RISKS OF THE NEW EXPORT MECHANISM

1. Amount and Upfront Nature of the Permit Fee

The fee of 20–30% of the contract value must be paid before the application is accepted for review – without proof of payment, the application is not considered. For an export transaction involving goods worth UAH 100 million, a company must pay UAH 20–30 million before submitting the full package of documents. If the contract does not provide for an advance payment, this creates a significant cash-flow gap – with no guarantee that the permit will be issued. For component manufacturers, the 30% rate may approach or exceed the margin of the transaction. Build with Ukraine transactions require particular attention: the products are supplied to Ukraine as military assistance, yet the fee applies on general terms. State representatives acknowledged the sensitivity of this issue for the market.

2. Legal Nature of the Fee and the Possibility of Refunds

Participants raised the question of whether the fee complies with Article 92 of the Constitution, under which taxes and levies may be established only by law. Moreover, for technology exports, the calculation base is tied to the entire licensed production volume at the procurement prices paid by state customers,

The state's position is that this is an administrative charge for the issuance of a permit, not a tax or levy. The procedure for refunding amounts paid in the event of refusal, suspension, or cancellation of a permit has not yet been defined – an SSEC representative confirmed the absence of such a procedure.

3. “Tacit Consent” and Risk Allocation

Approval by default helps meet the 30-day deadline, but it does not make the permit immune from subsequent review. If, after its issuance, additional information emerges regarding the counterparty, end use, or a breach of the transfer conditions, the permit may be suspended or revoked. According to an SSEC representative, violations identified after the issuance or cancellation of a permit may, depending on the circumstances, entail penalties of up to 100% of the transaction value, and up to 150% where damage to national interests is established. The procedure does not provide for compensation for the exporter’s business losses or lost profits, so the shorter time limits effectively shift part of the risks associated with an international transfer to the manufacturer.

4. Priority of State Needs: Risk of Blockage

The resolution enshrines the priority of meeting the needs of the Defense Forces: the intention of the Ministry of Defense or another state customer to procure the relevant products constitutes grounds for denying a permit. At the same time, the criteria for such an intention – volume, time frame, source of financing, and readiness to enter into a contract – are not clearly defined. Although the resolution obliges the customer to conclude a contract within 30 days in the event of such a refusal, manufacturers see a risk that exports may be blocked while a domestic order never materializes due to a lack of funding.

5. Limited Scope of the Fast Track

Under the current wording, the export permit covers only instruction to the minimum extent necessary. Full-scale training, servicing, and repair – especially by specialized entities that are not the manufacturers of the product, such as UAV operator schools – are not separately regulated and remain subject to the general procedure. Developers and holders of design documentation who engage a contract manufacturer are not formally covered by the procedure, as the text refers only to "manufacturers." Temporary export for exhibitions and demonstrations – a stage that usually precedes a contract – has not been simplified and remains subject to the general procedure.

6. Technologies, Joint Development, and Terminology

The procedure is well suited to the licensed production of an existing codified product. It is less suitable for joint R&D projects: the rights to a new product created together with a foreign partner are not defined, nor is the legal treatment of software, datasets, and documentation. It should be borne in mind that a non-resident's access to drawings or technological data is deemed an international transfer even without any physical crossing of the border, with liability potentially extending to criminal liability. There is also a terminological inaccuracy. With regard to products manufactured abroad using Ukrainian technology, from a legal perspective, this concerns approval of a subsequent transfer, rather than a "re-export permit." State representatives confirmed their intention to correct the wording.

7. Counterparty Verification Standard

The resolution sets out detailed requirements for foreign entities, including requirements concerning sanctions, beneficial owners, and links to the aggressor state, but does not define an exhaustive list of documents or specify the level of verification required to demonstrate due diligence. For companies with complex ownership structures, this creates a risk that the checks already performed may be deemed insufficient after the permit has been issued. Companies are effectively forced to conduct in-depth compliance checks on counterparties on their own, without access to restricted government databases. According to the SSEC, a bona fide exporter that has performed the necessary checks and promptly reported any new circumstances should not be held liable for the actions of the end user; however, no formalized standard providing such protection currently exists.

8. Uneven Impact Across Defense Industry Segments

The provisions of Resolution No. 875 indicate that the special procedure is primarily designed for unmanned systems, related components, technologies, and other cutting-edge defense solutions, where Ukrainian manufacturers have combat experience, a technological edge, and higher added value. For traditional armaments – artillery, armored vehicles, and ammunition – the mechanism may be less widely used due to well-established international competition, lower margins, and the risk of losing price competitiveness as a result of the additional 20–30% fee. The expected impact of the resolution should therefore be assessed separately across different segments of the defense industry.

PROPOSALS DEVELOPED TO OPTIMIZE THE EXPORT MECHANISM

Financial Model

- Consider **revising the 20% / 30%** rates to an economically justified level. During the discussion, state representatives expressed readiness to move toward a market-acceptable fee.
- Explore **changing the timing of payment**: after receipt of an advance payment under the contract, after issuance of the permit, or in proportion to actual performance. The proposal to make the payment after receiving an advance was put forward by industry and viewed by state representatives as worth considering.
- Consider setting a **maximum permit fee** for large contracts.
- Explore **differentiating the rates by product type**, with preferential treatment for components, traditional armaments with lower margins, and Build with Ukraine operations under which products are supplied back to Ukraine.
- For technologies, consider tying the calculation base to **actual transfers or royalties.**
- Define the **procedure and time limits for refunds** in the event of a refusal before a permit is issued, or the suspension or cancellation of an already issued permit, both in cases attributable to the applicant’s actions and in cases beyond the applicant’s control.

Predictability of the Procedure

- The Ministry of Defense, the Ministry of Foreign Affairs, and the Interdepartmental Commission should ensure the timely approval of the lists and provide manufacturers with sufficient information on the principles used to compile them and the implications of their updates. A secure mechanism for preliminary verification of whether a specific product is classified as critical and whether there is a confirmed intention to procure it for state needs could prove useful.
- Where exports are restricted due to domestic demand, it is worth considering specifying the approximate volume, time frame, source of financing, and terms of the future contract. Even where long-term contracting is impossible, regular forecasts of needs by product category would improve predictability for manufacturers.

Expanding the Scope of the Procedure and Closing Gaps

- The Ministry of Defense and the SSEC should explore extending the special procedure to training, servicing, repair, and technical support services, including services provided by specialized entities that are not manufacturers of the underlying product, and clarify the conditions for the participation of developers and rights holders who engage contract manufacturers.
- The Ministry of Economy and the SSEC should consider a simplified procedure for the temporary export of products for exhibitions, demonstrations, and testing – in particular, through notification instead of full interagency coordination, or by establishing a shorter review period.
- The terminological inconsistency regarding a “re-export permit” for products manufactured abroad using Ukrainian technology should be removed by providing for the approval of such products’ subsequent transfer. Paragraphs 12 and 13 of the Procedure concerning documents confirming value should also be harmonized by expressly including a property valuation report alongside the expert’s conclusion.
- The Ministry of Defense and the SSEC should develop model terms for licensing agreements and approaches to joint R&D projects in which the final product is not yet codified, including with regard to rights in the underlying technology and any new developments, software, data, improvements, and the procedure for transferring the relevant information to Ukraine.

Guidance and Digitalization

- The SSEC, together with the Ministry of Defense, should prepare practical guidance and standard document packagesfor finished products, components, technologies, licensed production, and related services. Particular attention should be given to the counterparty verification standard, the application of tacit consent, the grounds for the suspension and cancellation of permits, and the status of goods already shipped.
- Accelerating the rollout of the information and communication system (working title – Export Link) could, in particular, enable electronic submission, real-time tracking of applications, and automated screening against sanctions lists.
- It is also advisable to establish a single channel for submitting proposals and inquiries through industry associations and to create a permanent coordination platform involving the SSEC, the National Security and Defense Council, the Defense Procurement Agency, the Ministry of Defense, and manufacturers, in order to analyze the first applications and develop amendments based on the practical implementation of the export fast track.

CONCLUSION

Resolution No. 875 creates a distinct framework for controlled access by Ukrainian defense manufacturers to international markets. The 30-day time limit, tacit consent, and the removal of the requirement for separate government authorizations for a defined range of manufacturers may streamline the procedures and expand opportunities for international manufacturing and technology partnerships.

At the same time, the practical impact of the new procedure will depend on more than the speed of application processing. The upfront fee of 20–30% of the value of goods, the lack of a procedure for its refund, unclear criteria for domestic demand, the absence of a counterparty verification standard, and gaps concerning services, contract manufacturing, and joint development may limit the range of operations for which the fast track will be economically and legally acceptable. The mechanism is likely to hold the greatest potential in the unmanned systems and other high-tech segments, whereas for lower-margin products the financial terms may become a significant barrier.

The resolution should therefore be viewed as an initial working framework that will require adjustment based on the results of the first applications. The priority areas are refining the financial model, removing regulatory inconsistencies, standardizing compliance, and ensuring continuous feedback between state bodies and the industry. Without such refinement, the procedure risks remaining a narrow tool for individual high-margin operations; with timely adjustments, it can become an effective mechanism for attracting investment, developing production capabilities, and strengthening Ukraine’s defense capability

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