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BUDGET AND TAX REGULATION OF THE DEVELOPMENT OF THE MILITARY-INDUSTRIAL COMPLEX OF UKRAINE IN THE CONTEXT OF ENSURING NATIONAL SECURITY

ABSTRACT

The significance of this study stems from the decisive role of fiscal and tax regulation in supporting the modernization of Ukraine's military-industrial complex (MIC). These mechanisms provide not only financial backing but also serve as strategic instruments for strengthening defense capacity, advancing technological growth, and sustaining economic resilience amid martial law and prolonged geopolitical instability. The research objective is to improve fiscal and tax regulation of Ukraine's MIC in the broader context of national security, with particular emphasis on military-economic security.

The research demonstrates that military-economic security is a vital prerequisite for safeguarding Ukraine's sovereignty in its confrontation with Russia. It ensures the state's ability to finance the war, maintain resilience of governance and the economy, strengthen defense potential, and pursue post-war reconstruction based on technological modernization and reinforced security standards. The MIC is identified as a critical sector of the national economy, underpinning sovereignty, strategic autonomy, and national defense capability.

The article argues that Ukraine's MIC mission lies in armaments production and consolidation of technological and security sovereignty. Recommended pathways for development include institutional modernization, adoption of NATO standards, stimulation of R&D, expanded private-sector involvement, and systematic fiscal and tax regulation. Reform of public administration in the MIC is presented as an urgent necessity, requiring international best practices and transparent, adaptive models proven effective under wartime conditions and global competition.

The methodology integrates analysis and synthesis, deduction and induction, tabular and graphical methods, retrospective assessment of regulatory frameworks, classification of MIC activities, analysis of subsector financial results, modeling of state budget expenditure dynamics on defense, and strategic planning.

The study concludes that reviving Ukraine's MIC, modernizing the armed forces, aligning with NATO standards, prioritizing defense expenditures, and developing wartime and peacetime financing benchmarks are paramount for enhancing national security and post-war resilience.

Keywords: budget, taxation, regulation, development, military-industrial complex, financial support, national security, martial law, economic resilience

JEL Classification: H26, H56, H61, O11, O32

INTRODUCTION

The relevance of fiscal and tax regulation in the development of Ukraine's military-industrial complex (MIC) is driven by a set of internal and external factors that directly affect national security, economic stability, and the country's strategic autonomy. The full-scale war that has continued since 2022 necessitates a fundamental rethinking of budgetary policy priorities, particularly the strengthening of funding for the armed forces and the defense sector. Following Russia's expanded aggression culminating in the 2022

invasion, Ukraine's military-economic security has become a critical determinant of national survival. However, achieving this requires a comprehensive restructuring of the military-industrial management system and hinges on the state's ability to resource the armed forces while maintaining economic activity under the strain of wartime risks and constraints.

The MIC is the backbone of ensuring the Ukrainian Armed Forces are equipped with modern weaponry, ammunition, military equipment, and innovative solutions, all of which directly affect combat effectiveness. Amidst military aggression waged by the Russian Federation against Ukraine, the development of the national MIC has assumed paramount importance in safeguarding state sovereignty, territorial integrity, and national security. The MIC constitutes a core component of the country's defense potential, capable of rapidly responding to threats, supplying the armed forces with advanced weapons and technologies, and sustaining economic resilience under martial law.

The current geopolitical context underscores the urgent need to reassess the role and place of the military-industrial sector within the broader national security system. The absence of domestic production capacities for critical weapons systems and high-tech defense platforms renders Ukraine dependent on external supplies—creating strategic vulnerabilities during wartime. In contrast, the development of a robust domestic MIC enables operational independence, enhances national defense capabilities, and lays a foundation for long-term security and technological sovereignty in the post-war period.

LITERATURE REVIEW

Issues of fiscal and tax regulation in the development of Ukraine's military-industrial complex (MIC) in the context of national security remain a subject of close scholarly attention.

In the study by Borshchovsky V. et al. (2024), the authors substantiate the strategic orientations for advancing regional financial and investment opportunities in Ukraine under the current challenges of globalization, including the consideration of security threats that have emerged resulting from the occupation forces' invasion of the territory of the state. Particular emphasis is placed on the structural elements of financial and investment potential, which include the financial and budgetary capacity of the region, the investment capacity of its market, and the ability to secure additional resources through lending and co-financing mechanisms. The authors propose a classification of Ukraine's regions according to the criterion of wartime challenges, focusing on the prospects for strengthening their financial and investment capacity in the context of continuing global transformations. The following categories are identified: frontline regions where active hostilities are taking place; regions that have been liberated from occupation; regions bordering Belarus and thus considered potential threat zones due to the possibility of a ground offensive; regions adjacent to the combat zone, conditionally defined as rear areas; rear regions; and EU-bordering territories that concurrently perform the roles of rear areas and transit corridors for military assistance to Ukraine provided by Western allies.

Within the framework of Pomaza-Ponomarenko A. L. and Taraduda D. V. (2024), global experience is generalized concerning the operation of MIC facilities and the causes of emergencies occurring at such sites. The authors conclude that the technical condition of most MIC-related enterprises in Ukraine is currently hazardous due to severe equipment depreciation and noncompliance with modern safety standards. The root cause is identified as the deep socio-economic crisis resulting from Russia's full-scale aggression, which has hindered modernization processes.

The study by Voloshyna-Sidei V. et al. (2023) convincingly argues that Russia's 2014-armed aggression, together with the occupation of Crimea and the dispossession of industrial assets in Eastern Ukraine, triggered deep economic crises. The full-scale invasion in 2022 substantially escalated human and economic losses and physical destruction. The proposed strategic guidelines for the development of Ukraine's economy under global challenges envisage prudent management of resources and the modernization of manufacturing potential, including those of the MIC, the reinstatement of pre-war GDP performance, the renovation of the economic framework, the increase in the share of domestically produced goods in the public procurement sector, and the growth of foreign direct investment. Poltavets M. O. and Lakhtarenko O. I. (2024) focus on technologies for assessing the operational condition of industrial buildings partially damaged by warfare.

Dankevych A. et al. (2024) examine the state of Ukraine's economic security, offering expert evaluations of its key components and stressing the importance of incorporating military-economic security under conditions of war. The authors emphasize the dynamic nature of threats during martial law and call for rapid analytical assessments and adaptive countermeasures.

Shemaev V., Tolok P., and Onofriychuk A. (2023) rightly note that Russia's armed aggression has caused large-scale destruction, disrupted production and cooperation chains, and severely affected the defense-industrial complex (DIC) of Ukraine. The authors stress the urgent need to restore domestic production capacities for weaponry and ammunition, attract investment, and implement technology transfers to enable innovation and modernization. Among the recommended

solutions: establishment of joint ventures with foreign defense firms, licensing agreements for arms production, defense technology cooperation, and strategic collaboration in cyberspace to facilitate full-fledged integration of Ukraine's DIC with leading NATO and EU defense companies.

The theoretical and analytical study by Iefymenko, T. (2023) explores the transformation of public financial management in Ukraine during martial law and in the context of post-war reconstruction, highlighting the role of scientific support in shaping fiscal reforms. The author indicates that fiscal resilience — anchored in synergy, coordination, inclusiveness, and transparency — is vital for wartime stability and post-war recovery. Ishchuk S. O., Sozansky L. Y., and Zhulkanych V. O. (2023) emphasize the strategic importance of Ukraine's industrial sector during wartime and in the post-war period. Its primary objectives include ensuring stable budget revenues, enabling the payment of competitive wages (at least at the level of neighboring countries), creating new jobs, and supplying the domestic market with Ukrainian-made products. Under the current conditions of martial law, a high level of technical and technological defense capability must be ensured by assigning a central role to mechanical engineering (particularly the defense-industrial complex) within the structure of national industry.

Kyzym M. O. et al. (2022) examined the proportional relationship between economic and societal factors influencing the formation of military expenditures in European countries. The authors also developed recommendations for determining Ukraine's defense spending during martial law and post-war recovery to counteract the detrimental impact of military-political threats. Maskalyk D. (2021) summarized the strategic partnership experience between Ukraine and Turkey in the defense-industrial sphere, aimed at combining the capacities of the two countries' defense complexes for the serial production of modern weapons for their respective armed forces. The prospects for cooperation are based on a transition from conventional arms trade contracts to a fundamentally new level, founded on the synergy of defense technologies and the integration of advanced developments. The stimulation of environmental protection processes within Ukraine's defense-industrial complex is addressed by Kupinets L. E. and Obnyavko T. S. (2020). As emphasized by Krasnova I. V. and Hromnytska I. Yu. (2023), subsequent to the Russian Federation's invasion of Ukraine, the National Bank of Ukraine faced the urgent tasks of maintaining national currency stability, preventing panic, and ensuring the resilience of the banking system. The regulator promptly adopted necessary measures within the paradigm of a wartime economy and the imperative of ensuring Ukraine's military-economic security.

AIMS AND OBJECTIVES

The article aims to delineate the priority directions for improving the mechanisms of fiscal and tax regulation of the development of Ukraine's military-industrial complex (MIC) in the context of ensuring national security and its most critical component — military-economic security. To achieve the stated objective, the following tasks were accomplished:

1. The concept of Ukraine's military economic security was defined as a key prerequisite for preserving its statehood in the war against Russia.
2. Strategic principles for the financing of Ukraine's military industrial complex (MIC) development within the system of ensuring national defense capability were proposed.
3. Instruments of fiscal and tax regulation of MIC's development were systematized, and directions for enhancing their application under martial law and prolonged geopolitical instability were substantiated.
4. Pathways for modernizing Ukraine's MIC on the basis of fiscal and tax mechanisms were outlined for both wartime and the post-war period.
5. The objectives of the MIC in weapons production and in consolidating national technological and defense sovereignty, as well as financing mechanisms for their implementation, were justified.
6. Directions for modernizing the institutional structure of the MIC through the adoption of NATO standards were advanced.
7. International experience was adapted to reforming public administration in Ukraine's MIC in the context of war, technological competition, and globalization.
8. The main classification codes of economic activities relevant to MIC operations were systematized.
9. Dynamic and structural patterns of performance indicators were formalized for enterprises engaged in the production of weapons and ammunition, military transport equipment, aircraft and spacecraft, related equipment, as well as the repair and maintenance of aircraft and spacecraft, differentiated by enterprise sizes.

10. An assessment was provided of the absolute amount and relative level of state budget expenditures allocated to financing the Ministry of Defense of Ukraine.
11. Priority tasks for the revival of the weakened MIC were substantiated, based on financing standards for the Armed Forces of Ukraine and other military formations under conditions of peace and war, and a systematic approach was applied to substantiate strategies for the future development of Ukraine's MIC.

METHODS

The methodological framework of this study integrates both general scientific and applied approaches to ensure a comprehensive examination of fiscal and tax regulation in the development of Ukraine's MIC. Analysis and synthesis were employed to deconstruct existing theoretical and legal frameworks and to integrate findings into a coherent conceptual basis. Deductive and inductive reasoning enabled the formulation of general conclusions from empirical data and the validation of theoretical assumptions. Tabular and graphical methods were used to structure and visualize statistical indicators, budgetary dynamics, and financial results across MIC sub-sectors. A retrospective assessment of legal regulation allowed the identification of historical inconsistencies and their impact on institutional performance. Systematization of classification codes of economic activities was applied to delineate the scope of MIC within the national economy. Financial analysis provided insights into profitability and sustainability trends, while formalization of defense budget expenditure dynamics facilitated the modeling of long-term fiscal patterns. Finally, elements of strategic planning were used to propose forward-looking recommendations for aligning fiscal instruments with Ukraine's security priorities.

RESULTS

In the Ukrainian context, military-economic security refers to the safeguarding of the national economy against internal and external military threats, which ensures the stable functioning of the economy, the provision of resources to the national military apparatus and related security and defense institutions, and the effective post-war recovery of the country. It is a component of national security that encompasses: economic capacity to resist aggression; resource support for the defense sector; military-industrial potential; financial resilience of the state under wartime conditions; and the mobilization readiness of the economy. The principal components of Ukraine's military-economic security are summarized in Table 1.

Component	Description
Military-Industrial Complex	Production of weapons, equipment, ammunition, and supplies for the army
Financial Security	Ability to finance the war, attract aid, and pay salaries
Energy Security	Protection of critical infrastructure and supply stability
Logistical and Transport Resilience	Ability to deliver resources to the front and rear areas
Agri-Food Security	Uninterrupted food supply for the population and the military
Innovation and Technological Base	Capacity to create new weapon types (UAVs, electronic warfare, air defense)
Foreign Economic Stability	Control over exports/imports, market protection, and partnerships

They are represented by the military-industrial complex, financial and energy security, logistical and transport resilience, agri-food security, an innovation and technological base, and foreign economic stability.

The main threats to Ukraine's military-economic security include: direct destruction of enterprises and infrastructure caused by hostilities; loss of control over parts of the territory and logistical routes; depletion of the state budget due to wartime expenditures and declining revenues; dependency on external financial and military assistance; brain drain and technological leakage, reduced investment attractiveness; the risk of energy blackmail and cyberattacks by the aggressor. Key directions for strengthening military-economic security include: financial mobilization based on the optimization of budgetary expenditures, issuance of war bonds, and tax incentives for defense-related businesses; development of the military-industrial complex through state procurement from domestic defense enterprises, support for private initiatives, and localization of weapons production; international assistance through grants, loans, recovery support, and expansion of defense-industrial cooperation with NATO and the EU; digitalization and innovation via investment in drones, air defense systems, cybersecurity, and automation of command and control; energy security through the development of autonomous energy sources (renewables, generators) and protection of energy infrastructure.

The MIC of Ukraine refers to the aggregate of enterprises, research institutions, design and engineering organizations, and other entities engaged in the development, production, modernization, repair, and disposal of armaments and military equipment” (AME), and specialized defense assets for the needs of national defense and security (the National Council for Ukraine’s Post-War Recover, 2022). The key components of Ukraine’s MIC are as follows:

1. Institutional structure: state-owned defense enterprises, particularly those formerly part of the “Ukroboronprom” State Concern (currently undergoing corporatization and transformation); private defense-oriented companies actively involved in the manufacturing of unmanned aerial vehicles (UAVs), communications systems, logistics, and equipment repair; research institutions developing advanced weapons systems; and educational institutions providing training for engineering and technical personnel.
2. Functional areas: development and production of aerial vehicles (UAVs and aircraft), armored vehicles, artillery systems, communications and electronic warfare (EW) systems, ammunition; technical maintenance, repair, and modernization of military equipment; import/export of WME; research and innovation in military technologies.
3. Link to the national security system: the MIC forms the material and technical foundation for ensuring the country’s defense capabilities. It guarantees the uninterrupted supply of weapons to the Armed Forces, the National Guard, and the State Border Guard Service, and contributes to safeguarding national technological sovereignty in matters of security.

Distinctive features of Ukraine’s MIC include: reliance on the USSR legacy, which, despite its considerable scientific and technical potential, is hindered by outdated infrastructure; a strong scientific segment, with Ukrainian developments (e.g., missiles, UAVs, ATGMs, armored vehicles) being globally competitive; a high level of dependence on state support, budget financing, and export contracts. Wartime conditions have spurred a reorientation toward self-reliance, adaptation to NATO standards, and increased involvement of the private sector. Key actors include military units, enterprises, research institutions, experimental production facilities, and test ranges. Since gaining independence, Ukraine has lost a significant portion of its military-industrial capacity. Insufficient attention to its restoration and restructuring has resulted in a heavy dependence on the supply of military equipment from abroad.

Putintsev A. V. and Khutoryy B. V. (2022) effectively analyzed the challenges of public governance in Ukraine’s MIC and examined the key stages of its reform amid large-scale armed conflict and the necessity of ensuring sustainable national defense capabilities. The Classification of Types of Economic Activity codes (NACE) encompassing the operations of enterprises within Ukraine’s MIC are not represented by a single dedicated code but are distributed across various sectors related to the production of arms, equipment, research, and maintenance (Table 2).

Table 2. Key NACE Codes Corresponding to MIC Activities. (Source: Compiled from the Classification of types of economic activity (NACE, 2010).

NACE Code	Description
Manufacturing of military hardware and ammunition	
25.40	Manufacturing of military hardware and ammunition (main code for enterprises producing firearms, ammunition, artillery systems, etc.)
30.40	Military combat vehicle production
Manufacture of aircraft, spacecraft, and related machinery	
30.30	Aircraft and spacecraft production
33.16	Repair, servicing, and maintenance of aerospace equipment
	Research and experimental development in the field of science and technology
72.19	Research and experimental development in miscellaneous natural and engineering sciences (R&D in the defense sector, prototype creation)
71.12	Defense-related engineering design activities (development of military equipment, control systems, and design bureaus)
Maintenance and overhaul of military equipment	
33.11	Metal products repair services
33.12	Maintenance and repair of machinery and equipment
33.20	Machinery and equipment installation services
Development of software and electronics for military purposes	
26.51	Measuring, testing, and navigation instruments manufacturing (electronics for weapons, control systems)
62.01	Computer programming activities (software development for UAVs, combat systems, EW, etc.)
Additional types of economic activity	
52.29	Other transportation support activities (logistics for military transport)
74.90	Other activities of a professional, scientific, and technical nature (consulting, defense systems design)

In 2024, the activities of enterprises engaged in the manufacture of weapons and ammunition, as well as military vehicles, were profitable, with the exception of microenterprises involved in arms and ammunition production (Table 3).

Table 3. Pre-Tax Financial Results of MIC Enterprises by Subsector and Size (2024). (Source: Based on data from the State Statistics Service of Ukraine, 2025).

Economic Activity	NACE Code	Pre-tax Financial Result (UAH '000)	Structure (%)	Profit-making enterprises	
				% of Profitable Enterprises	Financial Result of Profitable Enterprises (UAH '000)
Manufacture of weapons and ammunition	25.40	8493557.4	100.0	66.2	8524451.3
large enterprises		5933839.0	69.9	100.0	5933839.0
medium enterprises		2339457.3	27.5	91.7	2341502.3
small enterprises		220261.1	2.6	50.0	249110.0
including micro-enterprises		-4527.2	-0.1	37.1	23806.5
Aerospace manufacturing: aircraft, spacecraft, and related apparatus	30.30	15818154.9	100.0	66.4	16102521.2
large enterprises		5235957.0	33.1	100.0	5235957.0
medium enterprises		9493637.1	60.0	92.7	9587071.0
small enterprises		1088560.8	6.9	61.3	1279493.2
including micro-enterprises		135226.5KVED	0.9	55.3	207231.7
Manufacture of military vehicles	30.40	6020580.6	100.0	81.8	6068123.3
large enterprises		4715544.0	78.3	100.0	4715544.0
medium enterprises		1247641.9	20.7	73.7	1288843.3
small enterprises		57394.7	1.0	82.4	63736.0
including micro-enterprises		25292.1	0.4	77.8	27399.1
Maintenance and overhaul of aircraft and spacecraft	33.16	-3053.8	100.0	60.8	28346.3
large enterprises		-	-	-	-
medium enterprises		5665.8	-185.5	40.0	13715.8
small enterprises		-8719.6	285.5	63.0	14630.5
including micro-enterprises		-1061.4	34.8	63.9	7024.3

In the structure of the financial results of enterprises engaged in the manufacture of weapons and ammunition, as well as military vehicles in 2024, large business entities dominated, accounting for 69.9% and 78.3%, respectively. The share of medium-sized enterprises amounted to 27.5% and 20.7%, respectively. The proportion of small and microenterprises was negligible. The production of aircraft, spacecraft, and related equipment was also profitable. However, unlike the previously analyzed types of activities, the majority of financial results in this sector came from medium-sized enterprises (60.0%), followed by large enterprises (33.1%). The financial results of enterprises engaged in the maintenance and overhaul of aircraft and spacecraft were negative, primarily due to losses incurred by small enterprises.

From 2018 to 2025, budgetary allocations for the Ministry of Defense increased by a factor of 20.58 (Table 4).

Table 4. Dynamics of Budgetary Allocations to Ukraine's Ministry of Defense According to Program Classification 2100000. (Source: compiled based on data from the State Budget Web Portal for Citizens, 2025)

Year	Expenditure Volume, UAH	Chain Growth Index (coefficient)
2018	94957876951,11	1
2019	105542676547,73	1.11
2020	120033802433,91	1.14
2021	125956518493,4	1.05
2022	1113343440413,96	8.84
2023	2066520986621,71	1.86
2024	2229133474845,72	1.08
2025	1953848321252,17	0.88
Growth rate of expenditures (2025/2018)	20,58	

The highest growth index was recorded in 2022 (8.84), which is explained by the urgent need to financially support Ukraine's response to the Russian Federation's war of aggression. The formalized dynamics of the State Budget expenditures of Ukraine for the financing of the Ministry of Defense are presented in Figure 1.

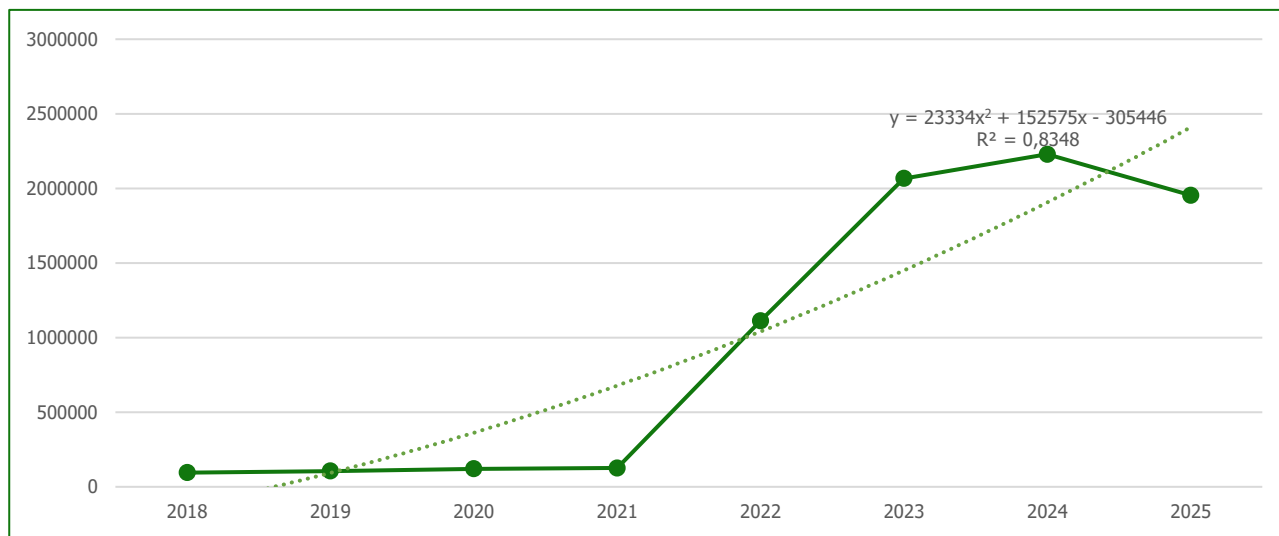


Figure 1. Formalization of the Dynamics of Budgetary Allocations to Ukraine's Ministry of Defense.

It is described by the upward branch of a parabola with a multiple coefficient of determination $R^2 = 0.8348$.

The main challenges in the functioning of the military-industrial complex (MIC) include: the need for structural modernization, as a significant portion of defense enterprises operate with outdated production facilities requiring urgent renewal; Ukraine's integration into the European and Euro-Atlantic defense environment due to its aspirations for EU and NATO membership, which requires adaptation of the national MIC to the standards of the Alliance, particularly STANAG (Standardization Agreement), and demands state support through fiscal and financial instruments; the high capital intensity and long duration of production cycles, as most MIC projects involve extended investment periods requiring stable and predictable budgetary support; the need for economic diversification and promotion of high-tech exports by stimulating MIC-related industries (e.g., mechanical engineering, electronics, IT, instrument engineering, aviation, etc.); the reform of MIC governance, as the State Concern "Ukroboronprom" is undergoing transformation through corporatization, the establishment of holdings, and the search for private investors.

In this context, fiscal and tax regulation must promote transparency, efficient allocation of public funds, and the attraction of private capital via public-private partnership mechanisms. Beyond security aspects, the development of the MIC has a significant multiplier effect on the economy, contributing to the preservation and advancement of high-tech sectors, job creation, expansion of export potential, and reduction of critical imports. Particularly relevant is the rearmament of the Armed Forces according to NATO standards, which necessitates comprehensive modernization of production capacities, digitalization of the defense industry, and institutional transformation of sectoral governance.

Given Ukraine's strategic course toward EU and NATO integration, MIC development is a prerequisite for harmonizing national defense policy with the security standards of the Alliance. This involves ensuring the interoperability, reliability, and technological sophistication of defense products.

Fiscal and tax incentives for the MIC should promote investment in R&D, advanced technologies, production digitalization, and import substitution of critical components. Tax benefits, subsidies, state guarantees, and participation in joint armament programs are key to establishing a competitive defense industrial sector. Tax instruments (such as VAT exemptions for the import of components used in defense manufacturing) play a crucial role in reducing production costs. Through state fiscal policy tools, it is possible to enhance export potential, which is vital for budget revenues and currency stability.

The effective development of the MIC requires appropriate regulatory and legal frameworks, systematized in Table 5.

Table 5. Core Regulatory and Legal Acts Governing the Activities of Ukraine's Military-Industrial Complex (MIC).

№	Title of the Regulatory Act	Brief Description	Date of Adoption / Reference Number
1	Law of Ukraine "On Defense Procurement"	Provides the legal framework governing the planning, organization, and implementation of defense procurement, establishes a competitive environment, and regulates the participation of the private sector	No. 808-IX of July 17, 2020 (effective as of January 1, 2021)
2	Law of Ukraine "On the State Defense Order" (repealed)	Regulated defense contracts prior to the enactment of the new Law "On Defense Procurement"	Repealed in 2021 pursuant to the adoption of the Law of Ukraine "On Defense Procurement"
3	Law of Ukraine "On National Security of Ukraine"	Systematically defines the structure of the security and defense sector and the role of the military-industrial complex in ensuring national defense capability.	No. 2469-VIII dated 21.06.2018
4	Strategic Defense Bulletin of Ukraine	Aims at transforming the MIC, corporatizing enterprises, establishing a defense holding, and implementing NATO standards	NSDC Decision enacted by Presidential Decree No. 473/2021 dated 17.06.2021
5	Strategy for the Development of the Defense-Industrial Complex of Ukraine	Provides for the establishment of a sustainable, efficient, innovative, and Euro-Atlantic-integrated defense-industrial system in Ukraine	Presidential Decree dated 20.08.2021 No. 372/2021
6	National Security Strategy of Ukraine ("Human Security – State Security")	Identifies the MIC as a key element in ensuring the stability and resilience of the state	Presidential Decree dated 14.09.2020 No. 392/2020
7	Military Security Strategy of Ukraine	Aims to establish and implement a systemic state policy in the field of military security to: effectively deter the aggressor; ensure national defense under conditions of armed aggression; develop modern Armed Forces and territorial defense; integrate into the Euro-Atlantic collective security system	Presidential Decree dated 25.03.2021 No. 121/2021
8	Cybersecurity Strategy	Focuses on ensuring the resilience of Ukraine's cyberspace and protecting citizens' rights and freedoms in the digital environment	Presidential Decree dated 26.08.2021 No. 447/2021
9	Information Security Strategy	Aims to ensure Ukraine's information sovereignty; protect the national information space; counter information aggression, disinformation, and propaganda — primarily from the Russian Federation; support the development of independent media, digital services, and public resilience to manipulation; and safeguard citizens' right to reliable information	Presidential Decree dated 28.12.2021 No. 685/2021

The Law of Ukraine "On Defense Procurement" (2020) is regularly updated under martial law to ensure transparency, efficiency, openness, and competitiveness in the procurement of defense-related goods, works, and services. The primary goals pursued by the adoption of the Law include: regulating the legal framework for defense procurement in both wartime and peacetime; stimulating the domestic military-industrial complex (MIC) through transparent and competitive mechanisms; aligning procurement standards with NATO practices (including the implementation of the principles of integrity, strategic planning, and efficient use of funds); protecting state secrets and national interests during procurement. Procurement categories are divided into: classified (closed) procurements, where information disclosure may threaten national security; open procurements (via Prozorro) allowed for non-critical defense goods; simplified negotiated procedures, applicable under special conditions (e.g., hostilities, urgency). This Law repealed the previous State Defense Order (SDO) mechanism and introduced annual procurement planning, reduced manual intervention, and increased the autonomy of procuring entities. It also introduced life-cycle contracts, prioritized domestic producers, and expanded opportunities for international cooperation in the defense sector. The newly introduced instruments make it possible to conclude long-term contracts not only for the production, but also for the maintenance, repair, and modernization of military equipment. The law grants the state the right to prioritize national enterprises capable of ensuring critical supply and allows for the conclusion of intergovernmental agreements and direct contracts with foreign manufacturers without intermediaries, in conformity with established procedures. The Law is characterized by the following key advantages: transparency and planning of procurement; implementation of NATO standards; increased competition among suppliers; flexible procedures under wartime conditions; reduced corruption risks; accounting for the needs of the Armed Forces of Ukraine, as well as other national security forces. However, the Law's implementation faces challenges, such as: insufficient institutional capacity of procuring entities (lack of qualified defense procurement specialists); delays in procurement planning, especially during wartime; limited access for small and medium-sized enterprises to large contracts; and the need to improve the classification mechanism for secret procurements. Thus, the Law of Ukraine "On Defense Procurement" regulates a systemic reform

of the defense sector that aligns Ukraine with NATO standards, enhances the efficiency of defense spending, and stimulates the development of the national defense-industrial complex (DIC).

The Law of Ukraine "On National Security of Ukraine" (2018) establishes the legal and organizational framework for the functioning of Ukraine's national security system in accordance with Euro-Atlantic standards, including those of NATO and the EU. The law defines the principles and state policy orientations in the sphere of national security; the structure of the security and defense sector; the foundations of civilian democratic oversight; the planning and financing system for national security; and the mechanisms of coordination, supervision, transparency, and accountability of security actors. Key terms employed in the law include: national security, understood as the safeguarding of fundamental interests of individuals, society, and the state against internal and external threats; security and defense sector, referring to the aggregate of state authorities, military formations, law enforcement, and intelligence agencies performing protective functions; civilian control, understood as democratic oversight of the exercise of presidential authority over the activities of security and defense institutions, Parliament, Cabinet of Ministers, and civil society. The subjects of the security and defense sector include: the Armed Forces of Ukraine (AFU), the Security Service of Ukraine (SSU), the National Guard of Ukraine (NGU), the State Border Guard Service of Ukraine (SBGSU), intelligence agencies (such as the Defense Intelligence of Ukraine (DIU) of the Ministry of Defense and the Foreign Intelligence Service of Ukraine (FISU), as well as state authorities responsible for national security governance (the National Security and Defense Council (NSDC), the President, the Verkhovna Rada, and the Cabinet of Ministers). Other elements include special operations forces, cybersecurity units, and territorial defense units, among others. According to Article 4 of the law, national security rests on the following foundational principles: the rule of law, observance of human rights and freedoms, and the priority of national interests, civilian democratic oversight, transparency and accountability, and integration into the Euro-Atlantic space (NATO and the EU). The national security priorities of state policy include: the protection of sovereignty and territorial integrity, countering Russian military aggression, integration into the EU and NATO, development of the DIC and defense capabilities, ensuring cybersecurity, promoting information resilience, and securing energy, economic, and environmental stability. The Law of Ukraine "On National Security" is a strategic document that outlines the framework for the entire national security system. It serves as an instrument for ensuring transparency, accountability, and effective governance of the defense sector and constitutes the legal foundation for Ukraine's integration into NATO's collective security system, seeking to balance national interests, democratic values, and efficient security policy. The sectors regulated by the law include cybersecurity, military security, public safety, and state security. Under the conditions of martial law, the Law remains the fundamental document; however, many of its provisions operate within the framework of a legally defined special regime (martial law). Civilian oversight is limited due to military necessity, and priority is given to military security and defense capability.

The Decree "On the Strategic Defense Bulletin of Ukraine" (2021) is a key strategic planning document in matters of national security and defense. It defines the priorities for the development of Ukraine's defense sector in the medium and long term, with a clear orientation toward NATO integration. Its objectives include: building capable, modern, and NATO-interoperable defense forces; transforming the security and defense sector to comply with Alliance standards; and ensuring an effective response to Russian military aggression, hybrid threats, and emerging challenges. The core principles of the Strategic Defense Bulletin are: Euro-Atlantic integration, ensuring full interoperability with NATO; Human-centricity, prioritizing the lives, rights, and dignity of service members; Network-centric approach, based on effective coordination among all components of the security sector; Achieving defense capability through innovation and technology; Transparency, accountability, and democratic control (Table 6).

Table 6. Key Objectives of the Strategic Defense Bulletin (SDB) of Ukraine.

Direction	Content
Defense planning	Implementation of capability-based planning.
Professional army	Transition to a contract-based model for staffing the Armed Forces of Ukraine.
Defense procurement	Transparent and efficient system aligned with NATO standards.
Information and cyber operations	Enhancement of cybersecurity and counter-information measures against the aggressor.
Development of human capital	Education, training, and decent service conditions.
Civil democratic oversight	Parliamentary and public supervision of the defense sector.
Territorial defense	Establishment of a resilient resistance system throughout Ukraine.

Target Indicators within the Security Assessment System (SAS) of Ukraine by 2025 include: full institutional interoperability with NATO; completion of the reform of the defense forces' command and control system; reduction of dependence on obsolete Soviet-era equipment; active participation in NATO programs, such as NATO DEEP (Defense Education Enhancement Program) and DIANA (Defense Innovation Accelerator for the North Atlantic); allocation of at least 3% of GDP for

the security and defense sphere; and implementation of defense education pursuant to new standards. Subsequent to the Russian Federation’s full-scale military invasion, the 2021 SDB remains a strategic foundation, yet it requires urgent revision considering the realities of large-scale warfare. The emphasis has shifted toward unmanned systems, combat drones, electronic warfare (EW), and rapid mobilization. Particular attention is given to collaboration with NATO partners, joint weapons production, and arms supply. A comprehensive territorial defense system has been deployed. New priorities have emerged regarding ammunition, armored vehicles, and air defense systems. The Strategic Defense Bulletin of Ukraine (2021) serves as: a roadmap for the Euro-Atlantic transformation of the defense sector; a framework for reforming the Armed Forces of Ukraine (AFU) and related institutions; a vector for achieving effective defense, interoperability with NATO, transparency, and innovation. In the context of war, the SDB requires updating, yet retains relevance as a basis for mobilization and defense planning.

Ukraine’s Defense-Industrial Complex Development Strategy (2021) aims to establish a resilient, efficient, innovative, and Euro-Atlantic-integrated defense-industrial system. Its objectives include: equipping the AFU and security forces with modern weapons, military equipment, and ammunition; reorienting the defense industry to NATO standards; expanding export potential; and strengthening Ukraine’s national economic sovereignty (Table 7).

Table 7. Key Directions of Ukraine’s Defense-Industrial Complex (DIC) Development Strategy.

Direction	Content
Corporatization of DIC enterprises	Privatization, corporatization, creation of a competitive environment
Privatization / Inclusion of the private sector	Participation of private companies in production and R&D
Integration with NATO and EU partners	Adoption of STANAG standards, joint developments, and projects
Innovations and dual-use technologies	Drones, artificial intelligence, robotic systems, EW
Modernization of production	Industrial parks, new equipment, digitalization
Development of R&D and support for startups	Creation of Defense Innovation Centers
Creation of closed production cycles	Import substitution of components for critical systems
Expansion of ammunition and UAV production	Key focus on supplying the front under wartime conditions

Ukraine’s Defense-Industrial Complex Development Strategy provides for the final transformation of the State Concern “*Ukroboronprom*” into a public joint-stock holding company “Ukrainian Defense Industry”; the expansion of production capacities for artillery, multiple rocket launch systems (MLRS), armored vehicles, and drones; the construction of regional industrial defense clusters; the creation of a public-private financing mechanism for innovation; access to defense exports for private companies; and the introduction of digital control and transparency in defense procurement. The implementation mechanisms of the Strategy consist of: the Fund for Innovation in Defense (in partnership with donors); roadmaps for cluster-based development; the integration of the State Defense Order (SDO) with the Armed Forces of Ukraine (AFU) development plans; interagency coordination involving the Ministry of Defense of Ukraine, the Ministry for Strategic Industries, the Ministry of Economy, the Ministry of Environmental Protection and Natural Resources, the Ministry of Agrarian Policy and Food, and the Security Service of Ukraine (SSU). International cooperation in the defense-industrial sector is ensured through joint ventures (e.g., Turkey – Baykar, Germany – Rheinmetall, Czech Republic – Excalibur Army), participation in NATO programs such as DIANA (Defense Innovation Accelerator for the North Atlantic) and DEEP (Defense Education Enhancement Program), involving international donors in the reconstruction of the defense industry, and establishing a one-stop shop for investors in the defense-industrial complex (DIC).

Ukraine’s National Security Strategy “Human Security – Country Security” (2020) aims to establish a free, democratic, prosperous, and secure Ukraine capable of effectively defending its national interests in the context of hybrid warfare, global challenges, and transformations (Table 8).

Table 8. Priorities and Key Objectives of Ukraine’s National Security Strategy “Human Security – Country Security.”

Area	Key Objectives
Defense Security	Building a modern, capable, NATO-compatible army; defense-industrial complex reform
Information and Cybersecurity	Protection of society from disinformation; development of digital resilience
Economic Security	Reducing the shadow economy; supporting critical sectors (including defense)
Energy Security	Diversification of energy sources; energy efficiency
Environmental Security	Adaptation to climate change; prevention of man-made disasters
Health Security	Development of epidemic response systems; medical preparedness

The core principle of this strategy is a human-centered approach, recognizing the individual as the primary value of national security. A secure individual is socially protected, informed, has access to healthcare, justice, education, and essential resources, and lives in an environmentally safe and information-secure environment. A secure country is a state that guarantees these rights and actively counteracts threats. The strategy delineates the national security domain into thematic areas based on identified threats and defines key goals and objectives. The main domains include: defense security, state security, public safety and civil protection, economic security, energy security, information security, cybersecurity, environmental safety and ecological security, biosafety and health security, human security, and critical infrastructure protection. The principal threats identified by the Strategy include: armed aggression by the Russian Federation, hybrid warfare (information operations, cyberattacks), corruption and weak state institutions, economic vulnerability and energy dependence, external interference in Ukraine’s internal affairs, pandemics, and ecological disasters.

The main instruments for implementing the Strategy are: defense review, sectoral security strategies (in energy, information space, cyber domain), state development programs (including the defense-industrial complex (DIC), healthcare, and innovation), annual national security policy planning, and coordination through the National Security and Defense Council (NSDC). The National Security Strategy of Ukraine – “Human Security – Country Security” serves as a key strategic document that: introduces a new vision of security—shifting from purely military to human-centric; integrates democratic values, European integration, and defense capability; and focuses on strengthening the state under the conditions of war, hybrid threats, and global systemic transformations. It outlines a clear trajectory for the development of modern defense-industrial potential.

The Strategy sets long-term benchmarks for shaping national security policy, serves as a foundation for budget planning, Armed Forces structure, and the development of the defense industry. It defines formats of cooperation with NATO, the EU, the United States, and other international partners, ensures the integration of the “national resilience” concept at all levels, and serves as the basis for related sectoral strategies such as Ukraine’s 2021 Strategy for Military Security, Cybersecurity Strategy, and Information Security Strategy, among others.

The Strategy for the Military Security of Ukraine (2021) aims to establish and enforce a systemic framework of state policy in the sphere of military security. It is designed to: effectively deter aggression; ensure national defense under conditions of armed conflict; develop modern Armed Forces and territorial defense capabilities; and integrate into the Euro-Atlantic system of collective security (Table 9).

Table 9. Core Components and Content of the Strategy for the Military Security of Ukraine.

Component	Content
Strategic Deterrence	Preventive actions that reduce the likelihood of armed aggression.
Comprehensive Defense	Involvement of all state institutions, the private sector, and the population in defense.
State and Societal Resilience	Ability to maintain governance, functionality, and resist hybrid threats.
Preparation for Protracted Armed Struggle	A 'long war' strategy if necessary.

The main threats identified in the Strategy include: the act of armed aggression by the Russian Federation against Ukraine as the primary threat; the constant military presence of the Russian Federation in the Ukraine’s temporarily occupied territories along with areas in the vicinity of the borders; the threat of hybrid, informational, cyber, and special operations; the militarization of Crimea and its use as a staging area against Ukraine; the potential use of Belarusian territory for Russian military operations; and external pressure on Ukraine’s defense-industrial complex. The implementation of Ukraine’s Military Security Strategy is guided by the following priorities: the establishment of modern, mobile, and NATO-compatible Armed Forces; the establishment of Territorial Defense Forces; the preparation and motivation of the population for national defense; the strengthening of Ukraine’s defense-industrial complex; integration into NATO’s collective security system; improving military governance, intelligence, cyber and information security; providing defense funding at no less than 5% of GDP; and enhancing international cooperation in security and defense. The state plays a leading role in the development and implementation of Ukraine’s Military Security Strategy. However, citizen and private sector involvement is also crucial. Citizens, as subjects of defense, may undergo training, participate in territorial defense, volunteer for activities, and engage in information resistance. The private sector is expected to ensure logistics, cybersecurity, and the production of defense-related goods. The role of local communities and self-government is central to strengthening rear resilience and providing civil support to the armed forces.

The successful implementation of the Strategy will be supported by the development of sectoral strategies: military intelligence, Territorial Defense Forces, defense-industrial complex, personnel policy in the defense sector; the approval of the

National Security Doctrine under martial law; development of military scenarios and operational defense plans; and monitoring and coordination of implementation by the National Security and Defense Council.

Ukraine's Military Security Strategy forms a new defense approach in response to Russia's hybrid threats, strengthening the connection between the army, state, and society. It focuses on long-term military readiness, defines the path to NATO through the phased integration of standards, and serves as the basis for updated training programs for the army, reserves, and citizens. The Strategy is a response to the prolonged state of armed aggression by Russia and provides for expanding the concept of defense to the societal level; emphasizing comprehensive defense and resilience; transitioning from 'reaction' to 'deterrence' and active preparation; and preparing for a multi-level, protracted struggle for sovereignty (Table 10).

Table 10. Principles of Cybersecurity Development in Ukraine.

Principle	Content
Civilian control	Cybersecurity must be exercised under democratic control
Public-private partnership	Joint participation of the state, business, and society in ensuring protection
Integration with the EU and NATO	Unification of approaches and compatibility of systems
Ensuring the protection of human rights and fundamental freedoms	Cybersecurity is not a justification for censorship or interference in private life
Prevention and resilience	Anticipation of threats, not just reaction

The objectives of the Cybersecurity Strategy of Ukraine include: enhancing the state's capacity to counter cyber threats; protecting critical information infrastructure; securing government information systems; ensuring the safety of digital public services (e.g., Diia, state registries, etc.); advancing cyber education and public awareness; supporting the development of the IT sector as a cybersecurity stakeholder; and fostering international cooperation in the field of cyber defense. Key stakeholders involved in the Strategy's implementation are: the National Security and Defense Council of Ukraine (NSDC), which coordinates cybersecurity policy; the State Service of Special Communications and Information Protection of Ukraine (SSSCIP of Ukraine) and its specialized unit CERT-UA, responsible for technical implementation and compliance with cybersecurity standards; the Security Service of Ukraine (SSU), which conducts counterintelligence and combats cyberterrorism; the Ministry of Digital Transformation of Ukraine, which regulates digital services, cyber hygiene, and public policy; as well as the defense sector and private businesses.

The main instruments for implementing the Cybersecurity Strategy of Ukraine include: the annually updated National Cybersecurity Plan; the development of cybersecurity standards for public authorities; the establishment of a national cyber incident management system; the protection of data centers and cloud infrastructure; the creation and implementation of the National Cyber Education Program; and cooperation with NATO, the EU, and the United States (including through initiatives such as CyberEast, EU CyberNet, and the NATO CCDCOE). In the aftermath of the act of the Russian Federation's full-scale aggression, cybersecurity risks have significantly increased, with the cyber domain becoming a critical battlefield. The adversary has launched large-scale attacks targeting state registries, media outlets, mobile communications, and the financial system.

The Cybersecurity Strategy of Ukraine is a key policy document aimed at establishing a resilient, nationally protected digital state; an effective model of preventive cyber defense; integration into the international cybersecurity ecosystem; and the protection of critical infrastructure, personal data, and digital rights of citizens. While partially adapted to the conditions of full-scale aggression, the Strategy requires further enhancement in several areas: updated approaches to critical infrastructure protection, rapid response mechanisms to mass cyberattacks, the establishment of institutional resilience, and greater engagement of NATO partners.

Since Russia launched its full-scale invasion, the information domain has become one of the primary theaters of conflict. The Information Security Strategy of Ukraine (2021) aims to ensure Ukraine's information sovereignty; protect the national information space; counter information aggression, disinformation, and propaganda, particularly from the Russian Federation; support the development of independent media, digital services, and societal resilience to manipulative content; and uphold citizens' rights to accurate and reliable information.

The primary threats to Ukraine's information security include: Russia's hybrid aggression through large-scale disinformation and propaganda campaigns, psychological operations; manipulative influence on public consciousness and undermining societal cohesion; attacks on the country's information infrastructure; the use of social media and messaging platforms to disseminate false information; and interference in electoral processes, political activity, and public administration. The core principles of Ukraine's information security are presented in Table 11.

Table 11. Principles of Information Security in Ukraine.

Principle	Content
Democracy	Respect for freedom of speech while countering disinformation and hostile propaganda
Transparency and openness	Authorities must communicate honestly and without manipulation
Partnership	The state, civil society, media, and business work together against information aggression
Resilience	Enhancing critical thinking among the population and securing the information environment
Integration with the EU and NATO	Policy compatibility and joint initiatives in media literacy and countering fake news

The key objectives of the Information Security Strategy of Ukraine include countering information aggression by the Russian Federation and other hostile states; ensuring the stable functioning of critical information infrastructure; supporting independent, professional, and resilient mass media; protecting citizens' rights to high-quality and reliable information; promoting a culture of media literacy and digital security; and safeguarding Ukraine's information sovereignty. The main implementing actors of the Strategy are the National Security and Defense Council of Ukraine (NSDC), the Security Service of Ukraine (SBU), the Ministry of Culture and Information Policy of Ukraine, the Ministry of Digital Transformation of Ukraine, the National Council of Television and Radio Broadcasting of Ukraine, the Center for Strategic Communications and Information Security, in cooperation with civil society organizations, media outlets, and the expert community. The Strategy's implementation instruments comprise, inter alia, the creation of a National System of Strategic Communications based on fact-checking and disinformation rebuttal platforms (such as StopFake); dissemination of educational programs on media literacy; regulation of disinformation and hostile propaganda (within the limits of international law); formation of a positive international image of Ukraine; and support for Ukrainian broadcasting in temporarily occupied territories. The Information Security Strategy of Ukraine establishes a comprehensive system for protecting the national information space; it serves as a response to the information warfare waged by the Russian Federation; fosters the development of a resilient and democratic media environment; and strengthens the state's capacity for strategic communication and international image-building. The Strategy should be actively employed to counter enemy information and psychological operations (IPSO), maintain public morale, mobilize international support through information campaigns (e.g., "Ukrainian resistance in Russian-occupied Ukraine", "Azovstal" among others), and expose fake narratives and war crimes committed by the Russian Federation.

Thus, the conducted study enabled a clarification of the conceptual distinction between the military-industrial complex (MIC) and the defense-industrial complex (DIC), the comparative assessment of which is presented in Table 12.

Table 12. Comparative Table of the Concepts of MIC and DIC.

Criterion	Military-Industrial Complex (MIC)	Defense-Industrial Complex (DIC)
Origin of the term	Geopolitical, from military-political rhetoric	Economic-legal, from EU and Ukrainian regulatory practice
Essence	Interconnection of the army, government, and business in weapons production and use	A set of production capacities in the defense sector
Components	Production of military equipment, its use by the Armed Forces, and political influence	Enterprises, science, research, and development in the defense sector
Focus	Military, political, geostrategic	Defensive, economic, technological
Presence in Ukrainian legislation	Not defined as a legal term	Defined in the DIC Development Strategy
Application area	Geopolitical analysis, military doctrine	Industrial policy, state orders, cluster development
Products	Weapons, ammunition, heavy armaments	Weapons, dual-use technologies, innovations

The military-industrial complex (MIC) comprises the Armed Forces, the defense industry, and government institutions involved in the development, production, and utilization of weapons and military equipment. The emphasis is placed on national security, state policy, and the military's influence on the economy and science. The defense-industrial complex (DIC), by contrast, is a modern term used in the regulatory and legal documents of Ukraine and the European Union. It refers to a system of enterprises, research institutions, and organizations engaged in the development, production, repair, modernization, and disposal of defense-related products (weapons, military equipment, ammunition, etc.). The focus here is on the industrial-technological sector serving the security and defense domain and includes dual-use products.

DISCUSSION

The key discussion raised in this article concerns the terminological correlation between the “military-industrial complex” (MIC) and the “defense-industrial complex” (DIC). Although these terms are often used interchangeably in academic, governmental, and practical contexts, there are semantic and functional distinctions that should be duly considered, particularly within the framework of reforms in Ukraine’s security and defense sector. In scholarly publications by Kupinets L. E. and Obnyavko T. S. (2020), Maskalyk D. (2021), Pomaza-Ponomarenko A. L. and Taraduda D. V. (2024), the term MIC is used, while Putintsev A. V., Khutoryny B. V. (2022), Shemaev V., Tolok P., Onofriychuk A. (2023), Ishchuk S. O., Sozansky L. Y., and Zhulkanych V. O. (2023) operate with the DIC concept.

Given Ukraine’s European integration trajectory and EU practices, the term ‘defense-industrial complex’ is used in the country’s official documents and legal terminology as a modern designation, aligned with NATO and EU usage, to denote the system of defense industry enterprises. However, NATO, which Ukraine aspires to join, is by its very nature a military-political alliance (Sinna, L. Yu., 2023). From a retrospective perspective, it should be acknowledged that Ukraine has extensive experience in using the term ‘military-industrial complex’ within the system of public administration.

Between 1996 and 1999, the Ministry of Mechanical Engineering, Military-Industrial Complex, and Conversion of Ukraine operated as a former central executive authority responsible for coordinating the development of defense industry enterprises, mechanical engineering, and the processes of conversion following the dissolution of the USSR (On the Regulations on the Ministry of Mechanical Engineering, Military-Industrial Complex and Conversion of Ukraine, 1996). The main tasks of the Ministry included: managing MIC enterprises, which comprised weapons and military equipment manufacturing plants, defense-oriented research institutes, and dual-use enterprises; coordinating the conversion process through the reorientation of military enterprises toward civilian production and reducing dependence on the Soviet MIC model; developing mechanical engineering by supporting industries that could serve as a foundation for both civilian and defense production (e.g., aviation, transport, instrumentation); and reforming the management structure of the military-industrial complex during the transitional period by reducing state monopoly, transferring certain functions to corporatized associations, and seeking foreign partners.

The reasons for the liquidation/reorganization of the Ministry included insufficient effectiveness in implementing reforms, the exacerbation of the 1990s economic downturn, the reduction of state defense orders, the drive to optimize executive authorities, and the gradual transfer of functions to other governmental bodies. The Ministry played a transitional role in restructuring the military-industrial complex (MIC) after Ukraine gained independence. During that period, there were attempts to establish a legislative framework for defense conversion; however, a significant portion of defense enterprises failed to effectively reorient toward civilian production, resulting in the degradation of parts of the MIC in the 1990s–2000s. At present, Ukraine faces the opposite task of conversion — expanding the scale of MIC operations.

According to the Constitution, Ukraine’s Armed Forces are vested with the responsibility of defending the nation, preserving its sovereignty, and safeguarding its territorial integrity and inviolability (Law of Ukraine “On the Armed Forces of Ukraine,” 1991). In the context of this study, the key element in defining the essence of the Armed Forces of Ukraine (AFU) is the term ‘military.’ Regulations on the Specific Features of Organizing the Educational Process in Higher Military Institutions under the Ministry of Defense of Ukraine and in Military Educational Subdivisions of Civilian Higher Education Institutions, and institutions of professional pre-higher military education (2024) emphasize the importance of military-professional and military-special competencies as defined by the professional standard for military specialists of the AFU by military occupational specialty. The Recovery Plan of Ukraine titled “Development of the Military-Industrial Complex,” drafted by the Working Group of the National Council for Ukraine’s Post-War Recovery (2022), also employs alternative terms such as “military-industrial complex” (MIC) and “defense-industrial complex” (DIC), emphasizing the growing role of the MIC under martial law. Based on the above, it is argued that under martial law, the term MIC represents a broader concept encompassing the influence of the defense industry on state policy, whereas the DIC refers to the structural and production base directly involved in manufacturing defense-related products. The effective functioning of Ukraine’s security sector requires the synergy of both elements: strategic defense governance and a capable, modern army. The defense-industrial complex (DIC) constitutes the actual industrial foundation of national defense, while the military-industrial complex (MIC) represents a broader phenomenon that encompasses not only the industrial sector but also the military and political superstructure.

CONCLUSIONS

Military-economic security of Ukraine is a key prerequisite for preserving its statehood in the war against Russia. It must ensure the national economy's capacity to finance the war, maintain resilience, flexibility of governance systems, development of defense potential, and post-war recovery based on new technological and security foundations. At its core, Ukraine's military-industrial complex (MIC) lies in ensuring the country's defense capability through the creation, maintenance, and development of a technological base for the production of weapons and military equipment, taking into account security needs, scientific and technological progress, global challenges, and international cooperation standards. The MIC is a critical sector of the national economy that guarantees sovereignty, strategic autonomy, and the country's capacity for self-defense.

Budgetary and tax regulation of MIC development in Ukraine is an essential tool of its financial support, as well as a strategic mechanism for ensuring defense capability, technological advancement, and economic resilience under martial law and prolonged geopolitical instability. Its effective implementation will determine the state's ability to win the war, restore the economy, and secure sustainable peace. The advancement of Ukraine's military-industrial complex constitutes a key determinant of national security, the combat capacity of the Armed Forces, safeguarding technological sovereignty, and economic resilience in both wartime and the subsequent post-war period.

It has been substantiated that the primary mission of Ukraine's MIC lies in the production of armaments and the establishment of national technological and security sovereignty. Proposed pathways for improving its further development include: modernization of the institutional structure, implementation of NATO standards, stimulation of scientific research, active engagement of the private sector, and systematic budgetary and tax regulation. It has been demonstrated that reforming public governance of Ukraine's MIC is an urgent task requiring the integration of international experience and the implementation of transparent and flexible models that have proven effective under conditions of war, technological competition, and globalization. This will contribute to strengthening Ukraine's national security and ensuring a technological breakthrough in defense-related innovations.

The main types of economic activity codes (NACE) relevant to MIC operations have been systematized. It was found that in 2024, enterprises engaged in the manufacture of weapons and ammunition, and in the production of military transport equipment, were generally profitable — except for microenterprises in the weapons and ammunition segment. In the structure of financial outcomes of enterprises engaged in the production of weapons and ammunition, as well as military transport vehicles in 2024, large business entities prevailed, accounting for 69.9% and 78.3%, respectively. The share of medium-sized enterprises amounted to 27.5% and 20.7%, respectively. The proportion of small and microenterprises was negligible. The manufacture of aircraft, spacecraft, and related equipment also yielded profits. However, unlike the previously analyzed sectors, the majority of financial results in this domain were generated by medium-sized enterprises (60.0%), followed by large enterprises (33.1%). The financial outcomes of enterprises engaged in the aircraft and spacecraft repair and maintenance were negative, primarily due to the performance of small enterprises.

Between 2018 and 2025, expenditures from the State Budget of Ukraine for financing the Ministry of Defense increased by a factor of 20.58. The highest growth index was recorded in 2022 (8.84), which can be attributed to the urgent need for financial support to counter the Russian Federation's armed aggression. The formalization of the dynamics of state budget expenditures for the Ministry of Defense of Ukraine is represented by the ascending branch of a parabola with a multiple coefficient of determination.

Ukraine's current priority tasks include: the revival of the depleted military-industrial complex (MIC), the radical modernization of the army, its alignment with NATO standards, the prioritization of defense expenditures, and the development of financing standards the Armed Forces together with other legally constituted military formations under both peacetime and wartime conditions in order to overcome their limited volume. Enterprises of Ukraine's MIC often register multiple types of economic activity classification codes (NACE) simultaneously, depending on the area of activity (production, repair, R&D), the type of products (weapons, equipment, software), and their involvement in related industries (aerospace, IT, mechanical engineering).

Strategic framework for the development of Ukraine's military-industrial complex (MIC) should be a comprehensive document that establishes the foundations for a sovereign, innovative, and export-oriented defense industry; integrates public and private resources; reorients the system toward NATO standards; and ensures the combat readiness of the Ukrainian army during prolonged warfare and post-war reconstruction.

Further research should focus on developing proposals to enhance regional financing mechanisms for Ukraine's military-industrial complex.

ADDITIONAL INFORMATION

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БЮДЖЕТНО-ПОДАТКОВЕ РЕГУЛЮВАННЯ РОЗВИТКУ ВІЙСЬКОВО-ПРОМИСЛОВОГО КОМПЛЕКСУ УКРАЇНИ В КОНТЕКСТІ ЗАБЕЗПЕЧЕННЯ НАЦІОНАЛЬНОЇ БЕЗПЕКИ

Актуальність статті визначає вирішальна роль фіскального та податкового регулювання в модернізації військово-промислового комплексу (ВПК) України. Ці механізми не лише забезпечують фінансову підтримку, а й виступають стратегічними інструментами посилення обороноздатності, стимулювання технологічного розвитку та зміцнення економічної стійкості в умовах воєнного стану й зatoryжної геополітичної нестабільності. Метою дослідження є вдосконалення системи фіскально-податкового регулювання ВПК України в ширшому контексті національної безпеки з пріоритетним акцентом на військово-економічну безпеку.

Установлено, що військово-економічна безпека є ключовою передумовою збереження суверенітету України в протистоянні з росією. Вона забезпечує спроможність держави фінансувати воєнні дії, підтримувати стійкість управління та економіки, нарощувати оборонний потенціал і здійснювати післявоєнну відбудову на основі технологічної модернізації та посилених стандартів безпеки. ВПК визначено як критичний сектор національної економіки, що безпосередньо підтримує суверенітет, стратегічну автономію та обороноздатність держави.

Обґрунтовано, що основною місією ВПК є виробництво озброєнь і консолідація технологічного та безпекового суверенітету. Запропоновано такі шляхи вдосконалення його розвитку: інституційна модернізація, імплементація стандартів НАТО, стимулювання науково-дослідних розробок, розширення участі приватного сектора та систематизація фіскально-податкового регулювання. Особливу увагу приділено реформуванню публічного управління у ВПК з використанням міжнародного досвіду та прозорих, гнучких моделей, ефективних у воєнних умовах і глобальній конкуренції.

Методологія ґрунтується на поєднанні аналізу та синтезу, дедукції й індукції, табличних і графічних методів, ретроспективної оцінки нормативно-правової бази, класифікації діяльності ВПК, аналізу фінансових результатів підгалузей, моделюванні динаміки бюджетних витрат на оборону та стратегічному плануванні.

У підсумку наголошено, що відродження ВПК, модернізація Збройних Сил, гармонізація зі стандартами НАТО, пріоритетність оборонних видатків і формування орієнтирів фінансування у воєнний і мирний час є визначальними для зміцнення національної безпеки та післявоєнної стійкості.

Ключові слова: бюджет, податки, регулювання, розвиток, військово-промисловий комплекс, забезпечення, національна безпека, воєнний стан, детінізація, національна економіка

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