



**Statement before the
Commission on Security and Cooperation in Europe
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***“The Danish Model as a Blueprint for
Strengthening Ukraine’s Defense
Capacity.”***

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Commission Members and staff: Thank you for the opportunity to provide testimony on the role of the Danish Model in strengthening Ukraine's military readiness and capacity. The views I express in this testimony are my own and do not reflect those of CSIS or the Ukrainian government.

The Danish model of direct, allied-funded defense procurement has become one of the most consequential innovations supporting Ukraine's wartime defense industry. As I outline below, this mechanism—and the broader family of approaches it has inspired across Europe—has transformed how partners support Ukraine by channeling foreign financing directly into Ukraine's defense industrial base.

In doing so, it unlocks manufacturing capacity, expands the government's purchasing power at a moment of acute fiscal constraint, strengthens the resilience and technological sophistication of domestic producers, and embeds unprecedented layers of transparency and accountability in procurement decision-making. The following sections trace how the model emerged, how it functions today, how it has evolved into several national variants, and why it has become indispensable both for sustaining Ukraine's military readiness and for reducing corruption risks within the procurement ecosystem.

Over the nearly four years since Russia initiated its full-scale invasion, Ukraine's defense industrial base has experienced an extraordinary and unprecedented expansion. At the outset of the war in 2022, the country's annual defense production capacity was estimated at approximately \$1 billion. By June 2025, President Volodymyr Zelenskyy reported that Ukraine's defense production potential had surpassed \$35 billion.

However, this growing capacity of Ukraine's defense manufacturers has increasingly outstripped the state's ability to purchase what they could produce. By early 2024, this gap had become stark. As Minister of Strategic Industries Oleksandr Kamyshin noted at the time, Ukraine's defense industry possessed an annual production potential of roughly \$20 billion, while the government could afford to procure only about \$6 billion worth of equipment. In his words, "only a third of all production capacity available in the country is in operation because we do not have enough money to contract the rest." This mismatch between industrial output and fiscal constraints left significant capacity idle and underscored the urgent need for alternative financing mechanisms capable of sustaining the sector's wartime growth.

Moreover, by 2024, the landscape of international military assistance had also begun to shift. Partner nations had already transferred substantial portions of their available stockpiles, and their national production lines struggled to scale at a pace commensurate with Ukraine's expanding operational requirements. It was within this evolving context that the so-called "Danish model" emerged as a particularly compelling mechanism: by channeling allied financial resources directly into Ukraine's defense industrial base, this framework delivers tangible results with notable speed.

The distinctiveness of this model lies in its dual effect. On the one hand, it secures the timely and uninterrupted provision of critical weapons systems to the Ukrainian Armed Forces. On the other, it generates strong structural incentives for the growth and modernization of Ukraine's domestic defense sector. Together, these dynamics reinforce Ukraine's economic resilience under the

extraordinary conditions of martial law and establish a more sustainable foundation for the continued evolution of its defense industrial ecosystem.

How the Danish Model Started and What It Means

The so-called “Danish model” refers to a novel mechanism of defense cooperation first pioneered by Denmark. Rather than limiting support to the provision of equipment from national inventories, Denmark introduced a system of direct financing for Ukrainian defense manufacturers—establishing a fundamentally new modality of partnership that links allied resources to Ukraine’s wartime industrial capacity.

The model demonstrated its effectiveness almost immediately. Denmark’s initial tranche of €50 million funded the production of eighteen Bohdana self-propelled howitzers, which were delivered to frontline units just two months after the implementation agreement was signed. Subsequent rounds of financing expanded into other strategically significant capabilities, including long-range unmanned aerial systems and anti-tank and anti-ship missile platforms. In total, the initiative has already generated nearly €597 million in delivered weaponry, representing the combined value of foreign contributions made through the Danish model, including €175 million provided directly by Denmark.

The model’s early success prompted broader international uptake. In 2024, Sweden and Iceland joined the mechanism, contributing €20 million and €2.7 million respectively through Denmark. A related diplomatic breakthrough enabled the allocation of €390 million from interest generated on frozen Russian assets to support Ukrainian weapons production—an outcome made possible in large part by Denmark’s advocacy.

Looking ahead, the scale of the mechanism is set to increase substantially. For 2025, the European Union has earmarked €1 billion from revenues on frozen Russian assets, while Canada has pledged an additional €67 million. Denmark has already reserved €130 million for continued investment, with Norway expected to allocate approximately €43 million and Sweden announcing a further \$178 million. Future projects under the mechanism will prioritize the expansion of high-technology production lines—particularly long-range UAVs, advanced missile systems, and artillery platforms.

Crucially, the Danish model benefits not only individual manufacturers but the defense ecosystem as a whole. Direct allied financing for one set of capabilities frees Ukraine’s Ministry of Defense to reallocate its limited budget toward other critical procurement needs, thereby expanding the total volume of equipment available to the Armed Forces. Parallel efforts are now underway to extend the model to non-lethal and sustainment goods, a step that could further accelerate the provision of essential materiel to Ukraine’s defense forces.

How the Danish Model Evolved and How It Operates Today

Although colloquially referred to as the “Danish model,” the term has become a broad descriptor for a family of mechanisms now used not only by Denmark but also by several other partner nations. What began as a targeted effort to support domestic defense manufacturers has since

expanded into a much larger, strategically significant channel of international defense cooperation. Multiple variations of the model exist today, with one key distinction among them: the identity of the procuring authority—who signs the contract with the Ukrainian manufacturer and who pays it.

The mechanism emerged roughly a year and a half ago and has evolved at remarkable speed. According to Ukraine’s Ministry of Defense Department for International Projects, partners spent approximately \$400 million through this model in 2024. In 2025, the volume already reached \$6 billion through the family of these mechanisms. To put this scale into perspective: MoD’s total weapons-procurement budget for 2025 was \$10 billion, and the “Danish model” effectively enabled an additional \$6 billion in procurement, an expansion of purchasing power unprecedented in Ukraine’s wartime economy.

The original Danish model follows a structured, multi-stage process designed to ensure both speed and accountability.

First, a partner government—Denmark in the original formulation—approaches Ukraine’s Ministry of Defense and specifies the amount of funding it is prepared to allocate and the general categories of weapons systems it wishes to finance. In response, the Ukrainian Ministry of Defense prepares a procurement portfolio—a curated set of systems that match operational demand and can be sourced from vetted Ukrainian manufacturers.

This portfolio is assembled through a rigorous, multilayered process. The General Staff begins by identifying battlefield needs, pinpointing capability gaps where demand is acute or where domestic procurement remains underfunded. This preliminary list is then transmitted to the Ministry of Defense’s Department of International Projects, which determines how these requirements can be met. Drawing on a comprehensive catalogue of domestic suppliers and detailed data on real-world battlefield performance, the Department matches operational demand with viable Ukrainian manufacturers.

At this stage, potential suppliers are evaluated against a set of core criteria. These include:

- whether the system is formally codified within the Ministry of Defense;
- whether the product is mature and ready for deployment rather than a prototype;
- whether the operational demand is verified and critical;
- and whether the manufacturer has a proven record of timely, high-quality fulfillment of previous contracts.

The Ministry also reviews ownership structures, the presence of any criminal proceedings involving company executives, and the performance of their systems in combat.

The Department of International Projects then presents the proposed list to the Coordination Council within the Ministry of Defense, which includes representatives from both the Ministry and the General Staff. The Council may revise the list before approving it. Once approved, a formal recommendation package is transmitted to the partner nation.

The partner authority—such as the Danish Defense Acquisition and Logistics Organization (DALO)—conducts its own comprehensive due diligence of requested systems and companies.

This includes evaluating the company's financial health, ownership structure, production capacity, contract history, technical specifications, and cost structure. Representatives physically inspect manufacturing facilities in Ukraine to verify production capabilities.

Once both sides approve a manufacturer, individual contracts are signed between the Ukrainian Ministry of Defense and the selected suppliers. Although these are technically contracts with Ukrainian companies, they function in practice like government-to-government agreements because all terms are jointly validated. For each contract, a dedicated account is opened on Ukraine's state crowdfunding platform U24. The partner nation transfers funds into these accounts, and Ukrainian companies are paid directly from these separate accounts.

Production then begins. Throughout the fulfillment process, all documentation—batch reports, serial numbers, quality-assurance certificates, delivery confirmations—is collected and shared with the partner nation. Danish representatives also conduct physical inspections of every batch delivered. After the contract is completed, comprehensive reporting is compiled and transmitted.

To date, the mechanism has demonstrated a high degree of transparency and accountability. It was recently subjected to a joint audit by Deloitte Denmark and the Ukrainian Ministry of Defense's internal audit department. The audit was successfully passed.

Despite the number of steps involved, the process is comparatively fast: depending on production timelines, the full cycle from initiation to final reporting typically takes between two and six months.

Emerging Variants of the Danish Model

The success of the Danish model has generated a series of related mechanisms adopted by other partner nations, each adapting the core principles to its own legal and administrative frameworks.

One of the earliest adopters was the Netherlands, which allocated \$1 billion specifically for the procurement of Ukrainian-produced drones for the needs of the Ukrainian Armed Forces. The Dutch mechanism mirrors the original Danish approach in many respects, with one notable distinction: the Dutch government signs contracts directly with Ukrainian manufacturers. This direct-contracting arrangement has revealed meaningful differences in business practices—most prominently, Ukrainian companies' need for substantial pre-payments, which in some cases reach 50 to 70 percent of the contract value.

Norway has recently announced its intention to adopt a similar to the Dutch model, further expanding the coalition of states using direct financing to support Ukraine's defense industrial base.

A distinct variant has also emerged within Ukraine's own institutional architecture. In this model, the Ukrainian Defense Procurement Agency (DPA) serves as the contracting authority, applying its standard military-procurement procedures. The essential modification is that the foreign partner government—not the Ministry of Defense of Ukraine—pays the invoice. In practice, a Ukrainian

manufacturer contracts with the DPA, delivers the agreed systems, and then invoices the foreign government directly. This approach is currently used by Germany.

For Ukraine, this variant is the most administratively efficient. It preserves full accountability, strengthens the institutional capacity of the DPA, and reinforces domestic procurement systems rather than circumventing them. Reflecting the rapid expansion of these mechanisms, the Ministry of Defense anticipates that as much as \$10 billion will be allocated and spent next year through the various iterations of the Danish model.

The Role of the Danish Model in Strengthening Ukraine's Military and Industrial Capacity and Mitigating Procurement-Related Corruption Risks

The Danish model and the broader family of mechanisms that have evolved from it have become one of the most consequential innovations in Ukraine's wartime procurement architecture. Its significance lies in the way it directly links foreign financial support to Ukraine's defense-industrial output, thereby unlocking dormant production capacity at a critical moment in the war. As Ukraine's industrial base expanded far more rapidly than the state budget could support, the model effectively bridged the gap between what Ukrainian companies could manufacture and what the government could afford to buy. This infusion of demand has not only increased the volume and diversity of weapons delivered to the Armed Forces but has also enabled manufacturers to scale production lines, invest in new technologies, and build long-term industrial resilience.

Importantly, the model also alters the strategic landscape of international assistance. As partner countries exhausted their transferable stockpiles and struggled to expand their own production, the Danish mechanism provided a way to sustain support by financing Ukrainian production directly. Its adoption by the Netherlands, Norway, Germany, Sweden, Iceland, and others demonstrates its wider applicability and its potential to become a durable component of the European security architecture. Each national variant preserves the core advantages of the model while integrating it into different legal and administrative traditions, enlarging the overall pool of funding available for Ukrainian-produced systems. The expectation that up to \$10 billion may flow through these mechanisms next year illustrates how central they have become to sustaining Ukraine's war effort.

Equally significant is the model's contribution to transparency and corruption mitigation. By design, it embeds multiple layers of scrutiny—Ukrainian, partner government, and independent external oversight. These layered controls create strong incentives for compliance, reduce discretionary decision-making, and ensure that procurement decisions align with battlefield priorities rather than political or commercial pressures. The successful completion of a joint audit by Deloitte Denmark and Ukraine's Ministry of Defense audit directorate indicates that the system can withstand external verification even under wartime conditions.

Beyond corruption prevention, the model strengthens institutional governance. Variants that channel contracts through the Ukrainian Defense Procurement Agency reinforce domestic procurement institutions and enhance their capacity to operate according to transparent, rules-based procedures. The model also normalizes direct interaction between Ukrainian manufacturers and foreign governments, raising professional standards across the sector and encouraging companies to adopt more predictable, audited business practices.

Collectively, these mechanisms have reshaped Ukraine's defense procurement landscape. They expand the state's purchasing power, strengthen the industrial base, diversify international assistance, and institutionalize transparency at a time when public trust and foreign confidence are strategic assets. In essence, the Danish model and its successors have become not only a tool for acquiring weapons, but a framework for building a more capable, accountable, and sustainable defense ecosystem—one that will remain essential long after the immediate pressures of the war subside.