DID YOU KNOW?

On September 9, 2025, the first installment of the *FAR* companion guide to the overhaul was released.

Revolutionary *FAR* Overhaul Update

This third installment of the *Contract Management* magazine coverage of the *Federal Acquisition Regulation (FAR)* overhaul details changes in word count, readability, reduction in imperative language, and more.

By Don Mansfield, CFCM

In this third installment of our series covering the Revolutionary *FAR* Overhaul (RFO), we cover deviation guidance for FAR parts 29, 31, 35, 36, and 50. As part of our coverage, we provide document statistics to show the results for the five parts covered in this installment and provide an update to FAR subpart 52.2, incorporating all deviation guidance through July 31, 2025. (Note the data in the "current" column for FAR part 52 only includes provisions and clauses prescribed in the *FAR* parts that have corresponding deviations.)

As Table 1 shows, the deviation guidance is consistently shorter, more readable, and contains fewer imperative sentences. So far, so good. The following summarizes the changes for each part in the order they were issued and provides commentary on the changes.

TABLE 1. *FAR* Overhaul Statistics on Word Count, Readability, and Imperative Language

	Word Count			Readability (Flesch-Kincaid)			Shalls/Musts		
Part	Current	RFO	Net	Current	RFO	Net	Current	RFO	Net
29	3964	3163	-801	15.4	14.9	-0.5	33	19	-14
31	30874	29216	-1658	16.1	15.9	-0.2	193	188	-5
35	5543	2866	-2677	14.9	13.0	-1.9	48	30	-18
36	9797	4374	-5423	16.7	15.3	-1.4	169	83	-86
50	7030	6392	-638	15.9	15.8	-0.1	56	46	-10
52	25551	19964	-5587	15.4	14.8	-0.6	321	265	-56

FAR part 29: Taxes

According to FAR 29.000, FAR part 29 prescribes policies and procedures for (a) using tax clauses in contracts (including foreign contracts), (b) asserting immunity or exemption from taxes, and (c) obtaining tax refunds. It explains federal, state, and local taxes on certain supplies and services acquired by executive agencies and the applicability of such taxes to the federal government. It is intended for the general information of government personnel and does not present the full scope of the tax laws and regulations. Table 2 contains an analysis of the FAR part 29 deviation guidance.

TABLE 2. FAR part 29: Taxes

Retained:

- All statutory requirements and exemptions.
- Guidance for resolving tax problems at FAR 29.101 remains. However, while the *FAR* currently encourages contracting officers to request assistance from legal counsel, the deviation guidance **requires them to request assistance from assigned legal counsel when tax issues arise**.
- FAR subpart 29.2, Federal Excise Taxes remains. However, the deviation guidance requires contracting officers **to request offers on a tax-exclusive basis when the law exempts the government from federal excise taxes**, unless inappropriate for the circumstances. The current *FAR* merely "encourages" contracting officers to do so.
- FAR subpart 29.3, State and Local Taxes remains. However, the deviation guidance reorganized and renumbered the information governing application of state and local taxes to improve readability.
- FAR subpart 29.4, Contract Clauses remains. The deviation guidance retains most of the solicitation provisions, contract clauses, and prescriptions in this subpart because they are **tied to specific tax law**.

Removed:

- The deviation guidance **removes** FAR 29.402-4, prescribing tax requirements for foreign contracts in **Afghanistan,** in its entirety because the Status of Forces Agreement (SOFA) expired in 2021, along with the following clauses prescribed in that section:
  - **52.229-13**: Taxes—Foreign Contracts in Afghanistan
  - **52.229-14**: Taxes—Foreign Contracts in Afghanistan (North Atlantic Treaty Organization Status of Forces Agreement)
- The deviation guidance removes the definitions of **North Atlantic Treaty Organization (NATO) Forces** and **U.S. Forces in Afghanistan** for the same reasons noted above.

Bottom line: The deviation guidance improves on the current FAR part 29. The language is slightly more readable and there aren't any outdated requirements. Notably, it imposes two new nonstatutory mandatory actions on the contracting officer that are currently only "encouraged" (see "Retained" section above.) We haven't seen the imposition of new requirements in deviation guidance thus far, and that's not what the Revolutionary *FAR* Overhaul advertised. Having said that, requiring the contracting officer to seek legal counsel before negotiating with a tax authority and to request offers on a tax-exclusive basis when an exemption applies is good federal policy.

FAR part 31: Contract Cost Principles and Procedures

According to FAR 31.000, FAR part 31 contains cost principles and procedures for:

- The pricing of contracts, subcontracts, and modifications to contracts and subcontracts whenever cost analysis is performed.
- The determination, negotiation, or allowance of costs when required by a contract clause.

Table 3 contains an analysis of the FAR part 31 deviation guidance.

TABLE 3. FAR part 31: Contract Cost Principles and Procedures

Retained

- Implementation of statutory requirements.
- Most definitions and procedures.

Removed

- The deviation guidance contains plain language edits throughout to enhance readability and remove redundant, unclear, or non-essential language, decreasing the word count by more than 1,300 words.
- Definitions that are well-known business definitions or otherwise defined in the Cost Accounting Standards.

Bottom line: The FAR Council wisely treaded lightly in the mine field that is FAR part 31. I look forward to industry's reaction.

FAR part 35: Research and Development Contracting

According to FAR 35.000(a), FAR part 35 prescribes policies and procedures of special application to research and development (R&D) contracting. Table 4 contains an analysis of the deviation guidance.

TABLE 4. FAR part 35: Research and Development Contracting

Retained

- Statutory requirements
- **Section 35.001 Definitions** of "Applied Research" and "Development"
- **Section** 35.003 **Policy** moved to **35.002**, streamlined to remove "Recoupment" reference
- **New subparts** 35.1, Presolicitation, 35.2, Evaluation and Award, and 35.3, Postaward create logical organization in **alignment with the acquisition lifecycle**
- The following subparts have been moved and updates to include plain language improvements:
  - **Section 35.007 Solicitations** moved to **35.101**
  - **Section 35.016 Broad Agency Announcements** moved to **35.102**
  - **Section 35.008 Evaluation for Award** moved to **35.201**
  - **Section 35.010 Scientific and Technical Reports** moved to **35.301**
  - **Section 35.017 Federally Funded Research and Development Centers** moved to **subpart 35.4**

Removed

- **Requirements** found in section **35.005 Work Statement** will be moved to the FAR Companion Guide
- **Recoupment** will be moved to the FAR Companion Guide
- Seven sections that were duplicative of coverage in other FAR parts
- **Section 35.015 Educational Institutions**
- Reference to the **Standard Form 298**, Report Documentation Page

Bottom line: The deviation guidance cuts the word count roughly in half. The plain language edits make the content more readable. Despite the removal of a significant amount of content, a lot of nonstatutory requirements and guidance remain. For example, the deviation guidance retains specific proposal instruction requirements for use in solicitations and mandatory use of "management capability" as an evaluation factor. Lastly, the FAR Council needs to temper the over-the-top claims they are making about the impact of the changes. The Practitioner Guide states:

"The FAR part 35 changes streamline research and development contracting by removing outdated barriers, redundant content, and adding plain language improvements. *This makes the federal R&D environment more attractive to innovative commercial firms.*"
How so? Innovative commercial firms that are reluctant to enter the federal R&D environment will change their minds because FAR part 35 was cleaned up? No changes in policy – only cleanup of the regulations? That alone won't bring in reluctant innovative firms.

FAR part 36: Construction and Architect-Engineer Contracts

FAR part 36 prescribes policies and procedures peculiar to contracting for construction and architect-engineer services. It includes requirements for using certain clauses and standard forms that apply also to contracts for dismantling, demolition, or removal of improvements. Table 5 contains an analysis of the deviation guidance.

TABLE 5. FAR part 36: Construction and Architect-Engineer Contracts

Retained

- Statutory requirements.
- **"Policy"** section moved from 36.104 to 36.002 and revised to include:
  - Policy for use of **project labor agreements.**
  - Market research requirement for contracts valued at or above $35 million.
  - For **design and construction selection**, requirement for use of either design-bid-build procedures, two-phase design-build procedures, or another acquisition procedure authorized by law.
  - Requirement for implementing **high-performance sustainable building practices**
- **Procedures** for two-phased design-build selection.
- Requirement for preparation of **government estimates of construction costs.**
- Most provisions and clauses (rewritten in plain language).

Moved to FAR Companion Guide

- Requirement to provide for a **site inspection during the solicitation** phase.
- Requirement to conduct a **preconstruction conference after award.**

Deleted • Outdated, redundant or otherwise unnecessary definitions. • "Applicability" section. • Specific evaluation requirements for **architect-engineer contracts.** • Duplicate requirement for **evaluation of contract performance** (already stated in part 42). • Requirement to **disclosure magnitude of construction projects.** • Supplemental requirements for **sealed bidding** (duplicative of part 14 coverage). • The section titled, "**Performance of Work by the Contractor**" and the implementing clause at 52.236-1. (a.k.a. the "**12% rule,**" mandated that prime contractors perform a specified minimum percentage of total contract work with their own workforce). • Five provisions and clauses » 52.236-4 Physical Data » 52.236-19 Organization and Direction of the Work » 52.236-26 Preconstruction Conference » 52.236-27 Site Visit (Construction) » 52.236-28 Preparation of Proposals-Construction
Bottom line: Removing the nonstatutory requirements and guidance resulted in deviation guidance that is less than half the size of the current FAR part 36. The plain language edits improve overall readability. Notably, all content is organized into three subparts titled "Pre-solicitation," "Evaluation and award," and "Postaward" (where's the "Solicitation" section?). It's possible that the FAR Council is attempting to organize information consistent with the process-focused Contract Management Standard. That's fine, but they should be consistent. Thus far, some of the deviation guidance is organized procedurally and some is not. Another idea is to organize the entire regulation following a process framework. For example, there could be "Planning," "Contractor Selection," "Contract Formation," and "Contract Administration" subchapters. Coverage that does not lend itself to a particular acquisition phase could be moved to an "Other Requirements" subchapter.

FAR part 50: Extraordinary Contractual Actions and the SAFETY Act

FAR part 50 prescribes policies and procedures for entering into, amending, or modifying contracts in order to facilitate the national defense under the extraordinary emergency authority granted by Public Law 85-804 (50 U.S.C. 1431—1434[1]) and Executive Order 10789, dated November 14, 1958. It also implements indemnification authority granted by Pub. L. 85-804 and E.O. 10789 with respect to any matter that has been, or could be, designated by the Secretary of Homeland Security as a qualified anti-terrorism technology as defined in the Support Anti-terrorism by Fostering Effective Technologies Act of 2002 (SAFETY Act). Lastly, it implements SAFETY Act liability protections to promote development and use of anti-terrorism technologies. Table 6 contains an analysis of the deviation guidance.

TABLE 6. FAR part 50: Extraordinary Contractual Actions and the SAFETY Act
Retained • Statutory requirements • All subparts and sections • All provisions and clauses
Deleted • Redundant and nonessential language
Bottom line: The plain language rewrite had virtually no effect on readability. The Flesch-Kincaid grade level improved from 15.9 to 15.8 (lower is better).

Conclusion

At the NCMA World Congress in July 2025, I learned that someone high in the approval chain must be convinced that the deviation guidance is truly "revolutionary" before it is approved. At the session "The *FAR* Overhaul: Getting Into the Weeds," only 24% of more than 300 attendees agreed that the changes would have a significant effect at the working level; only 5% agreed that the changes were "revolutionary." That's quite a disconnect.

At the same conference, multiple sessions promoted commercial solutions offerings and "other transactions" as ways to shortcut the *FAR*. Here's an idea – overhaul the *FAR* so there's no need for shortcuts. That would be revolutionary. CM

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COUNSEL COMMENTARY

FOCI Vetting Expands to Unclassified DoD Contracts

The Department of Defense is preparing to subject tens of thousands of contractors to foreign ownership, control, or influence (FOCI) scrutiny for the first time.

BY STEPHEN L. BACON

For decades, contractors handling classified work have been subject to foreign ownership, control, or influence (FOCI) reviews by the Department of Defense (DoD). Before granting access to classified information, DoD will scrutinize a company's ownership structure, foreign relationships, and corporate governance arrangements as part of the FOCI review process.

But the vast majority of defense contractors do not require security clearances and have avoided FOCI examination. To date, these companies have been able to pursue and perform unclassified DoD contracts without ever facing questions about their foreign connections. This is about to change.

Section 847 of the National Defense Authorization Act for Fiscal Year 2020 mandates a dramatic expansion of FOCI vetting to cover unclassified DoD contracts valued above $5 million. This change will subject an estimated $200 billion worth of acquisitions to pre-award FOCI reviews. As a result, the Defense Counterintelligence and Security Agency (DCSA) expects its annual caseload to skyrocket from roughly 2,000 matters to over 41,000. This would amount to a nearly 2000% increase in cases per year.

The learning curve for contractors and acquisition professionals that have never dealt with FOCI requirements will be steep. The FOCI review process for unclassified contracts will add a new and significant layer of complexity and potential delays to an already challenging procurement environment.

Contractors that fail to comply with FOCI disclosure and mitigation requirements may face a variety of adverse consequences including contract ineligibility or termination. As DoD prepares to implement Section 847, now is the time for contractors to understand what these new requirements will entail and how they will impact doing business with DoD.

Section 847 Requirements

Congress recognized that foreign adversaries do not need to access classified information to threaten national security. Unclassified contracts can provide valuable intelligence about defense capabilities, establish opportunities for future influence operations, or create vulnerabilities in critical systems.

To address these concerns, Section 847 requires "covered contractors and subcontractors" to disclose their beneficial ownership and whether they are under FOCI.[1] The statute defines "covered contractors and subcontractors" to include "an existing or prospective contractor or subcontractor of the Department of Defense on a contract or subcontract with a value in excess of $5,000,000."[2]

Notably, Section 847 generally excludes contracts for commercial products or services.[3] However, a commercial contract may be subject to FOCI review if a senior DoD official specifically determines that the contract "involves a risk or potential risk to national security or potential compromise because of sensitive data, systems, or processes."[4]

The disclosure requirements under Section 847 mirror those long used for cleared contractors under the National Industrial Security Program Operating Manual (NISPOM), which is now codified at 32 C.F.R. Part 117. This requires disclosure of information about foreign shareholders, foreign board members, foreign debt arrangements, significant foreign contacts, and other indicators of potential foreign influence.

Section 847 requires DoD to consider FOCI risks as part of a contracting officer's pre-award responsibility determination. Moreover, consistent with the NISPOM, covered contractors and subcontractors have an obligation to update their disclosures when there are material changes to information previously reported.[5]

DCSA's Expanded Role

To implement Section 847, the Office of the Undersecretary of Defense for Intelligence and Security issued DoD Instruction 5205.87 on May 13, 2024. It designates DCSA as the lead agency for conducting FOCI assessments on all covered DoD contractors and subcontractors. This represents a massive expansion of DCSA's role, extending its oversight to an estimated 41,000 companies.

When reviewing uncleared contractors, DCSA will apply a modified version of its existing FOCI framework. Specifically, a

company will be deemed under FOCI if a foreign interest has the power to direct or decide matters in a way that could pose a risk to national security or potentially compromise sensitive data, systems, or processes, or could otherwise control or influence the business or management of the contractor in a manner that could adversely affect its ability to perform the contract or subcontract.

DoD components will be required to collect FOCI disclosure information from offerors during source selections and provide it to DCSA for analysis. DCSA will, in turn, provide recommendations to contracting officers about whether the contractor poses unacceptable risks and what mitigation measures may be required.

DCSA will have 25 working days to complete its assessment and provide a FOCI risk report and mitigation strategy. This timeline is designed to prevent FOCI reviews from creating undue delays in the procurement process, but it represents an ambitious goal given the expected surge in DCSA's caseload.

DCSA may use interim mitigation measures, such as commitment letters, to avoid delaying contract awards while more comprehensive mitigation measures are negotiated and finalized. DCSA is expected to execute final FOCI mitigation measures within 90 working days of award.

For contractors that have mitigation measures in place, DCSA will conduct annual reviews to determine if there are any changes to their FOCI status. DCSA will also complete new case reviews for any contractors that report changes to their beneficial ownership.

The Forthcoming *DFARS* Rule

While DCSA is preparing to expand its workload, formal implementation of the new regime will occur through a new *Defense Federal Acquisition Regulation Supplement (DFARS)* rule currently under development. Contractors should expect the rule to include several key elements:

- **Solicitation Requirements.** Offerors will be required to disclose FOCI matters as part of their proposals, likely through a form similar to SF-328 or a new solicitation provision.
- **Contract Clauses.** The rule will include standard contract clauses obligating contractors to report changes in ownership or control during performance and enabling the government to address emerging FOCI risks.
- **Mitigation Procedures.** The rule will formalize the process for assessing and implementing FOCI mitigation measures prior to contract award.
- **Enforcement Mechanisms.** Contractors who cannot satisfactorily mitigate FOCI concerns will be ineligible for award, and existing contracts may be terminated if mitigation proves inadequate.

The *DFARS* rule was originally scheduled for completion in 2021, but implementation has been substantially delayed. Current projections suggest the rule could be finalized as early as 2026, though this timeline could shift further.

It is possible that the ongoing efforts to overhaul the *FAR* and agency supplements may impact Section 847's implementation timeline. However, because the expanded FOCI requirements are based in statute, contractors should expect that the new *DFARS* rule will go forward unless there is a change in law.

How Contractors Can Prepare

As defense contractors await the roll out of the new *DFARS*, they should take proactive steps to prepare so they are in the best position to comply with the new requirements. These steps should include:

- **Map Ownership and Control.** Companies should review their ownership structures now to identify any direct and indirect beneficial owners. This includes mapping complex ownership chains and identifying any foreign connections that might trigger DCSA scrutiny. Companies must also be prepared to document equity percentages, voting rights, negative control provisions, and veto rights, as well as any foreign lenders, creditors, or contractual rights that could create foreign leverage.
- **Develop Disclosure Capabilities.** Contractors need systems to gather and present ownership and control information quickly and accurately to avoid impacts to proposals. This information may include, for example, ownership charts, governing agreements, and debt obligations. Documentation should be readily available for disclosure during the proposal phase, and whenever changes occur that must be reported.
- **Plan for Mitigation.** Companies with potential FOCI issues should consider mitigation measures and evaluate which options might be feasible for their business model and acceptable to DCSA. Early planning can facilitate a smoother review process with DCSA that avoids contract delays.
- **Build Compliance Infrastructure.** Section 847 creates ongoing compliance obligations that require dedicated attention and resources. Companies should assign responsibility for FOCI compliance and integrate these requirements into their existing compliance programs. Those persons responsible for compliance should be aware of any changes to ownership or corporate governance that may impact the company's FOCI status.

Key Areas to Watch

There are a number of issues that are likely to emerge as implementation of Section 847 ramps up over the next year.

- **DCSA Capacity and Performance**. DCSA is currently recruiting and training civilian and contractor personnel to assist with implementation. However, the 20-fold increase in DCSA's caseload represents an unprecedented challenge. It remains to be seen whether DCSA can meet its 25-working day timeline for conducting FOCI reviews.
- **Mitigation Standards**. DCSA's approach to FOCI mitigation for unclassified contracts remains largely undefined. Mitigation measures for unclassified contracts may be less stringent than those adopted for classified contracts, but this will likely not be known until standards emerge through practice. Contractors should expect DCSA to use familiar mitigation tools including, for example, board resolutions, commitment letters, appointment of independent directors with no foreign ties, Security Control Agreements (SCAs) that limit a foreign owner's control, proxy arrangements, and Technology

Control Plans (TCPs) that prevent foreign access to sensitive data.

- **Commercial Contract Application.** The specific circumstances in which DoD will require FOCI review for commercial contracts is unknown and also likely to develop through practice. It is possible that the forthcoming *DFARS* rule or other DoD guidance will explain the factors DoD should use to determine whether a commercial contract should be subject to the FOCI review requirement.
- **Competitive Implications.** Section 847 may advantage domestically-owned contractors over those with foreign connections. The extent of this impact will depend on how burdensome and costly mitigation requirements prove to be and how effectively DoD manages the review process.

Conclusion

Section 847 represents a fundamental shift in defense contracting, extending rigorous security oversight to a vast segment of the defense industrial base that previously operated with minimal scrutiny. Although significant implementation questions remain, it is clear that contractors that want to perform significant DoD work must be prepared to address foreign influence concerns.

The companies that prepare early and approach FOCI compliance proactively will be best positioned to compete successfully in this new environment. Those companies that ignore these changes risk finding themselves locked out of lucrative defense opportunities when the new rules take effect. CM

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The views expressed in this article are those of the author and do not necessarily reflect the views of Rogers Joseph O'Donnell or its clients. This article is for general information purposes and is not intended to be and should not be construed as legal advice.

ENDNOTES

1 National Defense Authorization Act for Fiscal Year 2020, Pub. L. No. 116-92 (Dec. 20, 2019), § 847(b)(2)(A)(i).
2 Id. § 847(a)(3).
3 Id. § 847(c)(1).
4 Id.
5 Id. § 847(b)(2)(A)(ii).

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The Hidden Edge of Ukraine's Warfare

In modern warfare, acquisition speed and adaptability are strategic assets. The Ukrainian experience offers a glimpse into the future of conflict, where commercial technologies are adapted with breathtaking speed and supported by new acquisition strategies.

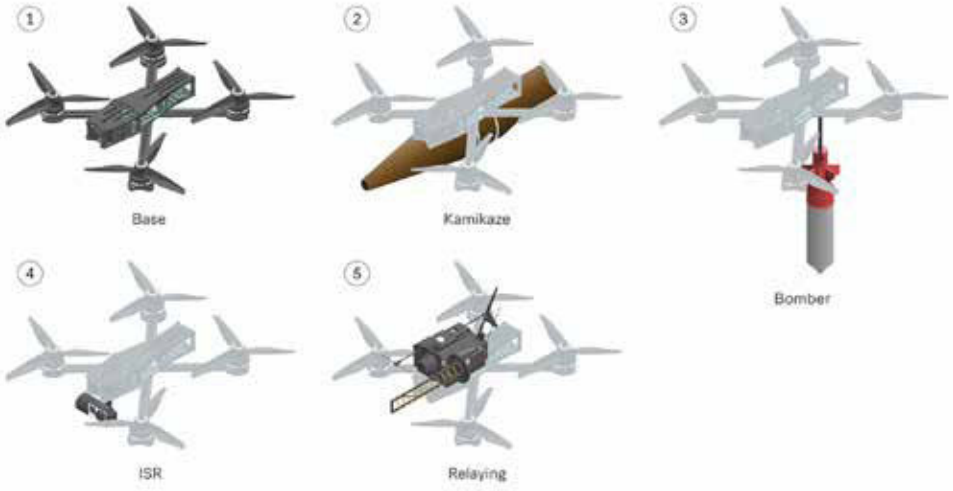
By Kateryna Bondar

When Russia's full-scale invasion of Ukraine began in 2022, few could have predicted the scale and speed with which unmanned systems would come to define the changes in warfare. What started as an improvisational necessity has become a game-changer in this war, forcing a strategic rethink far beyond Ukraine's borders.

The Ukrainian experience offers a glimpse into the future of conflict, where commercial technologies are adapted with breathtaking speed, fielded in combat within weeks, and improved in near real time through direct feedback from operators on the frontline.

This model of tactical innovation, born out of wartime urgency and institutional reinvention, stands in stark contrast to the drone acquisition and development system in the United States – one that remains encumbered by centralized control, lengthy timelines, and risk-averse structures.

FIGURE 1. Types of FPV Drones Used for Various Missions



Source: Kateryna Bondar, "Ukraine's Future Vision and Current Capabilities for Waging AI-Enabled Autonomous Warfare," March 20, 2025. https://www.csis.org/analysis/ukraines-future-vision-and-current-capabilities-waging-ai-enabled-autonomous-warfare.

The Drone That Changed the War

At the heart of Ukraine's success in unmanned warfare is the first-person view (FPV) drone – a low-cost, high-impact system that has reshaped the tactical landscape. It is a great example of how a low-cost commercial technology can change the course of war.

Typically priced around $400, these drones are often assembled from commercial components. As shown in Figure 1, they are also remarkably adaptable to a wide range of missions thanks to their modular designs, which allow their function to be altered simply by changing the attached equipment.

FPV drones are therefore very affordable assets, which allows for their mass production, while their simplicity helps frontline units deploy them with minimal training. Most importantly, these drones evolve rapidly.

Ukrainian operators communicate directly with engineers, enabling continuous iteration: hardware upgrade cycles range from just two weeks to six months for entirely new drone types, while software updates can occur daily. This tight feedback loop – between users and developers, battlefield needs and technological fixes – is not a peripheral feature of Ukraine's drone war. It is the core engine of its effectiveness.[1]

The case of FPV drones offers a vivid illustration of a broader pattern across other classes of drones, sensors, electronic warfare systems, and beyond, Ukraine is developing and updating technologies at similar speed. Ukrainian manufacturers often draw technology from commercial origins, master its militarization, and adapt it to war needs through direct battlefield feedback.

Such responsiveness is possible because Ukraine restructured its acquisition system around the strengths of the commercial sector. Once dominated by the Soviet top-down style, today's Ukrainian acquisition model has a decentralized procurement authority down to a military unit level, which enables rapid testing and approval cycles and facilitates a proliferation of suppliers competing to meet military needs.

Platforms such as Brave1, a government-backed innovation hub, and new infrastructure like the "Iron Range," a testing range with an electronic system for streamlined access to use it, considerably reduce bureaucratic inertia. New weapon systems no longer wait years for approval; they are tested, refined, and deployed within weeks.

Financial mechanisms have also evolved, with direct budget transfers enabling units to acquire drones without the delays of annual planning cycles. Combined, these reforms have

transformed Ukraine into one of the world's most active and effective laboratories for innovative warfare.

A Tale of Two Acquisition Models

The Ukrainian approach contrasts sharply with the U.S. system, which is slow to adopt innovation from non-traditional vendors. While the United States has no shortage of technological talent or capital investment, its military programs remain burdened by centralized control and cumbersome processes. Acquisition is channeled through traditional program offices that prioritize long-term planning over fast adaptation.

The average development cycle for a new unmanned aerial system spans several years – often exceeding the pace of technological obsolescence. Risk aversion drives a preference for expensive, exquisitely engineered systems over flexible, good-enough solutions that can be fielded quickly. The result is a pipeline optimized for performance on paper but poorly suited to the fluid, fast-moving nature of modern battlefields.

In many ways, the structural differences between the two approaches – Ukrainian and American – reflect different institutional philosophies. Ukraine, under existential threat, has adopted a wartime mindset in which speed, improvisation, and field-driven development trump perfection.

The U.S. Department of Defense (DoD), by contrast, continues to operate under peacetime assumptions – favoring control, predictability, and exhaustive testing over rapid experimentation. This mindset permeates everything from budgeting and contracting to testing and fielding. The very architecture of the U.S. acquisition system – built for yesterday's wars – is out of step with the demands of today's combat environments.

The United States should not mirror Ukraine's model exactly. The American defense ecosystem is larger, more complex, and beholden to different accountability standards. Yet Ukraine's experience demonstrates that it is possible to reimagine the defense acquisition pipeline around modularity, rapid deployment, and constant iteration.

It is a proof of concept for what a fast, adaptive, and decentralized military innovation system can look like in practice. By adopting elements of this model – such as procurement decentralization, accelerated testing pathways, and streamlined commercial contracting – the United States can unlock a new level of responsiveness in quickly changing warfare.

How Ukraine Rebuilt Its Military Acquisition System Around Commercial Technology

For decades, Ukraine's acquisition model had mirrored its Soviet heritage – centralized, opaque, and heavily reliant on large, state-owned enterprises united under the umbrella of one conglomerate, known as Ukroboronprom.[2]

Procurement cycles were long and inflexible, contracts were often awarded through closed procedures, and innovation was stifled by bureaucracy and corruption. The war forced an urgent reckoning.

The shift began with a fundamental change in institutional mindset. Ukrainian leadership – civilian and military – recognized that the rigid, top-down model of defense acquisition could not keep pace with a war that changed daily. Waiting years for new systems to be approved, tested, and fielded was no longer tenable.

Therefore, three fundamental changes in the acquisition system took place to enable rapid innovation deployment.

1. Changes in capability development lifecycle

At the center of this shift was a reconfiguration of the capability development cycle itself. This change represents a dramatic departure from the traditional, linear defense acquisition model it inherited from the Soviet era.

Before 2022, capability development in Ukraine was governed by a rigid multiyear framework in which the Ministry of Defense (MoD) and state-owned industrial monopolies collaborated to define classified requirements, allocate budgets, and deliver defense systems through an opaque and slow-moving bureaucracy. On average, this process spanned 11 years, with some programs dragging on for two decades.[3]

Under the pressure of war after the full-scale invasion, Ukraine constructed a new capability development process that mirrors commercial product development cycles and runs parallel with the old model. The new model developed mostly organically rather than through a strategic approach and vision of the military leadership.

Rather than defining needs through top-down technical specifications, the new approach begins with frontline-identified problems. Ukrainian warfighters articulate battlefield requirements in operational terms, often informally through direct conversations with engineers or via government-supported mechanisms such as hackathons and challenges.

This bottom-up approach shifts the focus from rigid technical requirements and abstract technology maturation milestones to functional utility under real combat conditions.

It has also redefined how prototypes enter the acquisition pipeline: rather than funding low-readiness research

and development in state laboratories, Ukraine outsources early-stage experimentation to the private sector, only engaging government resources once a solution reaches Technology Readiness Levels (TRL) 6–9. Notably, soldiers and drone operators are directly involved in the testing and evaluation process.

End users participate in testing commissions and evaluate technologies under battlefield conditions including exposure to jamming, kinetic threats,[4] and harsh terrain and ensuring that only systems with real operational value are adopted into the military arsenal.

This restructured model has had tangible effects on timelines. As shown in Figure 2, the full capability development cycle – from need identification to frontline deployment – has been reduced from an average of over a decade to just 18 months, and in the case of small expendable systems like FPV drones, to as little as six months.

At each stage, commercial actors play a central role. Companies build prototypes on their own budgets, testing and refining them in close collaboration with operational units.

Regulatory changes allow the MoD to approve these systems for limited battlefield use through fast-track operational approvals, bypassing bureaucratic certification.

The formal approval timeline for operation has been reduced to 10 days for innovative systems such as drones through regulatory simplification, requiring manufacturers to submit just five key documents.

Once operational use is authorized, these systems become eligible for procurement under new streamlined contracting procedures.

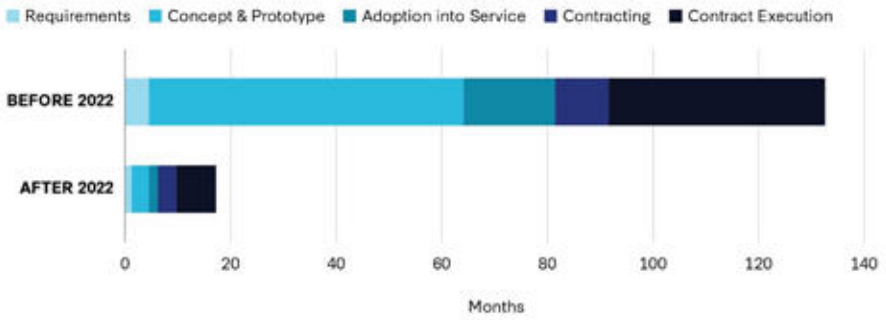
At the contracting stage, manufacturers submit commercial proposals to the Defense Procurement Agency, and after negotiation, state contracts are signed with provisions for advance payments covering up to 70% of costs.

This tight coupling between accelerated approval and procurement has drastically shortened the acquisition cycle – from years to mere weeks in some cases – transforming how the military fields new capabilities and aligning system deployment directly with frontline operational needs.

Ukraine's capability development lifecycle model thrives on iteration. Rather than aiming for perfect, multi-capability systems, Ukraine favors "good enough" platforms that can be fielded quickly, with the understanding that improved versions will follow soon afterward.

Many systems remain in a continuous prototyping phase, undergoing monthly hardware upgrades or code rewrites based on user feedback. This constant loop – user input, developer response, field testing, and adjustment – is what allows Ukraine's defense apparatus to outpace its adversary in deploying functional, relevant technology.

FIGURE 2. Comparison of Capability Development Lifecycle Before and After the 2022 Invasion of Ukraine



Source: Kateryna Bondar, "How Ukraine Rebuilt Its Military Acquisition System Around Commercial Technology," February 12, 2025, https://www.csis.org/analysis/how-ukraine-rebuilt-its-military-acquisition-system-around-commercial-technology.

2. Changes in budgeting process and funds allocation

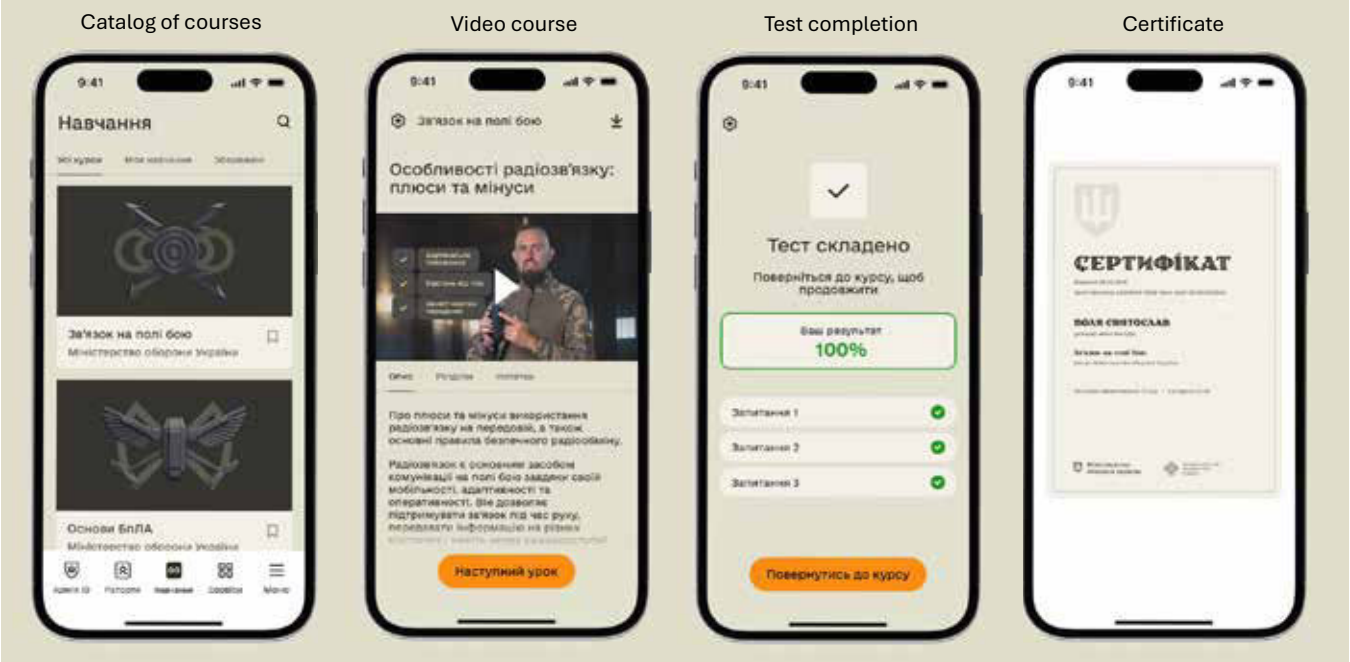
Ukraine's budgetary reforms replaced rigid, line-item spending with more agile and responsive funding mechanisms. These changes occurred both at the central acquisition level and at the tactical level, where individual military units gained direct access to funds.

As a result, procurement became faster, more flexible, and increasingly decentralized, empowering additional government actors with readily available resources to meet urgent battlefield needs.

To enable procurement at the tactical level, in late 2024, the government authorized direct transfers of funds from the national budget to individual military units for the purchase of unmanned systems, an unprecedented move that enabled commanders to bypass traditional bottlenecks and rapidly procure technologies suited to their sector's specific threats.[5]

Local authorities also gained discretion to reallocate their own budgets to support battlefield needs,[6] creating a multi-tiered funding structure that could move money as fast as the front moved.

FIGURE 3. Screenshots of Online Courses Available to Warfighters in Army+ App



Source: Ministry of Defense of Ukraine

At the strategic level, before 2020, the MoD controlled all defense acquisition and procurement through a single budget program. A budget program in Ukraine's public finance system is a designated line of state funding tied to specific policy goals, enabling government agencies to allocate and spend resources on defined activities with measurable outcomes.

Attempts to reform the system, including the creation of the Ministry of Strategic Industries with a second budget program for new weapons systems development, failed to deliver meaningful results.

The 2022 invasion forced a dramatic pivot. A third budget program, focused on nontraditional capabilities such as drones, electromagnetic warfare (EW) systems, and artificial intelligence systems, was established and administered by a different agency – the State Service of Special Communications and Information Protection (SSSCIP)[7] – which allowed direct contracting with commercial companies and startups.[8]

Drones and EW systems undergo an expedited procurement process through the Prozorro platform,[9] a government procurement electronic auction system. At this platform, the necessary testing confirmation and expert evaluations are submitted under a closed framework, culminating in contract finalization within days of auction.

This shift led to rapid reallocation of funds: in 2023, 30 billion Ukrainian hryvnia (UAH) (US$720 million) was directed to commercial drone procurement by SSSCIP,[10] and by 2025, the MoD committed 110 billion UAH (US$2.64 billion) to follow this model.[11]

3. Going digital for speed and transparency

Ukraine's plan to digitize its defense acquisition system has become one of the most significant institutional reforms of the war. The main idea behind this reform is replacing paper-based bureaucracy and fragmented frontline procurement with a scalable, integrated, soldier-centered digital workflow ecosystem.

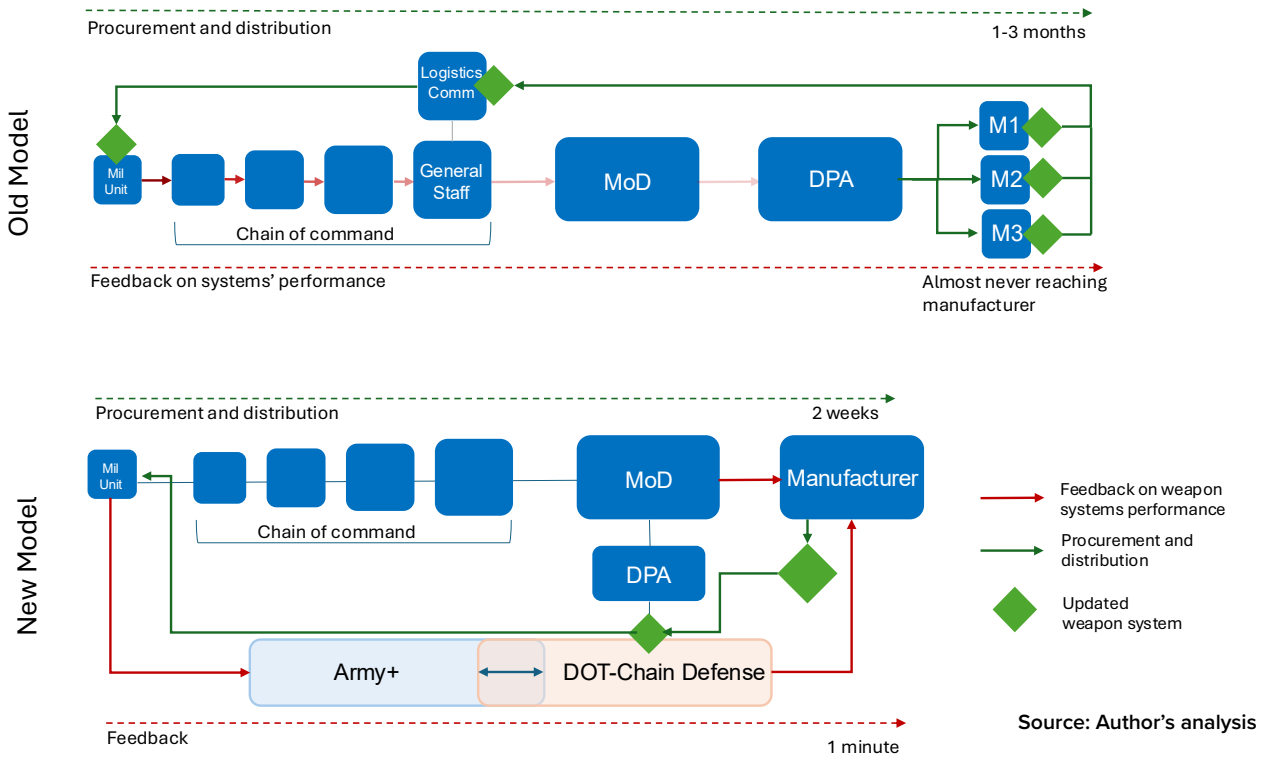
At the heart of this transformation is Army+, a secure mobile app developed by MoD. As of May 2025, the platform counts more than 800,000 authorized users, making it one of the most expansive digital tools in Ukraine's military today.[12] During its first 10 months of operation, Army+ processed more than 500,000 formal personnel requests; averaging approximately 1,800 requests per day.[13]

The soldiers sending these requests from the frontline are able to receive real-time responses – approval or rejection of their requests with clear reasons, through an encrypted interface. Paper-bound requests used previously that could take weeks or even months are now resolved in days.

But Army+ is far more than a digital human resource platform; it has become a tool for participatory military governance. The app includes a survey feature, which enables direct communication between military personnel and MoD leadership to better understand needs and the urgency of issues to set priorities based on the real situation in the Ukrainian military forces.

MoD representatives noted that through 18 surveys, MoD has collected more than 370,000 responses from warfighters,

FIGURE 4. Comparison of Feedback and Procurement Loops in Old and New Digital Acquisition Models



Source: Author's analysis

shaping decisions on everything from training content to improvements in digital infrastructure.

One of the most impactful outcomes was the creation of an in-app training feature, allowing service members to access skill-building courses directly from their phones as shown on Figure 3 – even while deployed on the frontline. This functionality enables troops to stay updated on new systems and technologies without leaving their posts.

Upon completion, users receive official certificates, allowing MoD not only to recognize and upgrade individual skill levels but also to collect system-wide data on training needs and capabilities. As of July 2025, more than 103,900 soldiers have enrolled in Army+ training programs, including the newly launched course on unmanned aerial vehicle operation.

But MoD decided to go further and use the successful experience of engaging directly with warfighters to close the feedback loop between frontline users and defense manufacturers. Army+ is now integrating a new "Feedback" feature for providing real-time feedback from soldiers on the frontline directly to weapon systems manufacturers.

For example, a soldier can choose a drone's serial number from a dropdown list, select an issue or problem type, and provide its contextual description, which is sent directly to the manufacturer's dashboard in the DOT-Chain Defense system.

DOT-Chain Defense is a newly launched digital procurement platform operated by the Defense Procurement Agency (DPA). First piloted on July 7, 2025, DOT-Chain Defense functions like Amazon for the military, where frontline brigades can order tactical technologies from a curated catalog of pre-contracted suppliers.[14]

DOT-Chain Defense functions as Ukraine's first military digital marketplace. In its initial phase, 12 brigades were authorized to use the system, backed by 1 billion UAH (US$24 million) in MoD funding disbursed via the Defense Procurement Agency.[15]

This represents a fundamentally new model: military units select what they need, place digital orders or reserve incoming batches, and receive equipment within approximately two weeks rather than the months typical of legacy procurement.

In the near future, a new functionality will be added to the DOT-Chain system, which will allow military users to customize drones before they are delivered. This feature, informally called the "LEGO" function, works like a configurator: a user selects a drone type and then chooses specific components and technical parameters based on the conditions at their location.

For example, they might select a particular communication frequency, initiation board, or other modules. This flexibility addresses a common issue where delivered drones don't match frontline needs, especially when operating frequencies are changing fast, requiring reprogramming. By letting users assemble the drone

configuration they actually need, the system avoids numerous mismatches in supplies.[16]

Every stage of the process – selection, order submission, contract signing, delivery, and feedback – is digitized. The connection of the marketplace with feedback provision in Army+ app transforms procurement from a static supply chain into a dynamic, two-way interaction.

For the MoD, DOT-Chain becomes a live data hub, offering visibility into what every unit needs, when, and why – thus shaping future acquisition planning and budgeting with unprecedented accuracy.

From a strategic perspective, manufacturers benefit from real-time demand signals, direct access to end-user evaluations, and competition on quality. Purchasing power lies with the units themselves.

In effect, each brigade becomes a smart buyer, choosing systems based on frontline needs and performance. As shown in Figure 4, it is laying the foundation for a fully digitized, agile, and soldier-informed acquisition architecture – one that reinforces Ukraine's technological advantage.

Ukraine's wartime transformation of its acquisition system marks a decisive break with the rigid, opaque structures inherited from the Soviet era. In their place, a new model has emerged, one defined by speed, adaptability, and open collaboration with non-traditional actors.

From restructured development lifecycles to flexible budgeting and digital platforms such as Army+ and DOT-Chain, Ukraine is building an ecosystem that rapidly moves technologies from frontline demand to deployment, often in a matter of weeks.

This success is not simply about new tools or processes in isolation. Rather, it demonstrates that acquisition reform and operational innovation must evolve in tandem. Ukraine's experience compels a broader rethinking of how military capability is sourced, tested, and fielded – suggesting that in modern warfare, the agility to iterate and respond to battlefield realities can be as decisive as the technologies themselves.

Conclusion

Ukraine's wartime experience demonstrates that innovation in military acquisition is not only possible under extreme pressure, it is essential. The reforms described here reveal how institutional adaptability, frontline-driven feedback, and strategic use of commercial technologies can radically accelerate the delivery of combat-ready solutions. The following key findings distill the most actionable lessons for U.S. defense acquisition reform.

Ukraine decentralized procurement, digitized acquisition, and empowered units – accelerating delivery of relevant technologies.

Ukraine's transformation shows that decentralizing procurement authority down to the military unit level can dramatically accelerate adoption of new technologies. By empowering frontline commanders to order equipment directly through platforms such as DOT-Chain, Ukraine bypassed legacy bottlenecks and ensured that procurement responds to the evolving demands of the battlefield. For the United States, decentralizing aspects of acquisition – particularly for non-program-of-record systems such as drones – could enable combatant commands and operational units to test, iterate, and deploy emerging technologies at the pace of conflict.

Ukraine uses commercial product development cycles as a model for defense.

Ukraine's adoption of rapid, iterative development mirrors commercial tech lifecycles, in which functionality and responsiveness take priority over bureaucratic perfection. Rather than spending years developing custom systems, Ukraine sources commercial-off-the-shelf technologies and engages the private sector only once prototypes reach mid-to-high Technology Readiness Levels (TRL 6–9). The U.S. DoD can emulate this by structuring acquisition programs around modular, open-system architectures that enable frequent upgrades, minimize integration barriers, and foster continual innovation.

Testing and evaluation are conducted in near-operational conditions, with warfighters themselves participating as members of the testing commissions.

Ukraine has collapsed the traditional linear testing cycle by integrating operational evaluation directly into early prototyping, with end users – soldiers, drone operators, and EW specialists – acting as primary testers. This results in battlefield-informed design choices and real-time feedback loops that reduce failure rates and increase combat effectiveness. The U.S. military should expand its support for soldier-in-the-loop testing environments, including field experimentation units and live digital feedback mechanisms, to inform both system design and requirements refinement.

The Ukrainian government restructured its budgeting mechanisms to provide readily available funds for a broad range of capabilities – beyond rigid requirements and narrow line items – enabling the rapid adoption of innovative technologies.

Ukraine restructured its defense finance system to support short acquisition cycles,

allowing direct unit-level contracting, increasing advance payments of up to 70%, and establishing specialized budget programs for emerging technologies. This financial agility made it possible to move from design to deployment within weeks. In the U.S. context, funding mechanisms such as Other Transaction Authorities (OTAs) and Rapid Defense Experimentation Reserve (RDER) should be scaled, while also allowing greater discretion at the edge – so that warfighters can shape demand rather than wait on pre-approved programmatic spending.

The Ukrainian military has digitized its acquisition system to enable greater speed, traceability, and continuous feedback across the procurement process.

Digital platforms such as Army+ and DOT-Chain allowed Ukraine to streamline every step of the acquisition process – from request submission and approval to feedback reporting and resupply. While still very new and yet to be fully deployed, these platforms start creating a dynamic, data-rich interface between developers, operators, and procurement officials, turning the defense supply chain into an adaptive ecosystem. For the United States, digitizing acquisition and integrating real-time battlefield telemetry, user feedback, and supplier performance data into procurement platforms could revolutionize how innovation is tracked, sourced, and scaled across the force.

These lessons demonstrate a central takeaway from Ukraine's experience: in modern warfare, acquisition speed and adaptability are strategic assets. Unlocking them requires structural reform – not just new technologies, but new ways to buy, test, and deploy them. CM

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4 Kinetic threats refer to physical attacks that inflict damage through direct force or impact, such as missile strikes, artillery fire, or drone-delivered munitions. Unlike cyber or electronic warfare, which disrupt systems without causing material destruction, kinetic operations aim to degrade or destroy targets through violent, physical means.

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9 Prozorro is Ukraine's centralized electronic public procurement platform, developed to enhance transparency, accountability, and competition in the acquisition of goods, services, and works by public authorities. Built on open-source architecture and following the "open contracting" data standard, Prozorro allows procuring entities to publish tenders and conduct competitive bidding processes online. It provides real-time public access to procurement data, enabling oversight by civil society and regulatory bodies. While widely adopted across civilian sectors, its application in the defense domain is restricted under martial law, with classified and sensitive procurements conducted through alternative, closed procedures.

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FUNDAMENTALS OF CONTRACT MANAGEMENT

Commercial Policy (FAR Part 12)

BY JIM KIRLIN, CPCM, CFCM, NCMA FELLOW

A guiding principle of the Federal Acquisition System is to satisfy the customer by maximizing the use of commercial products and commercial services (FAR 1.102(b)(1)(i)). FAR Part 12 Acquisition of Commercial Products and Commercial Services prescribes policies and procedures unique to the acquisition of commercial products, including commercial components, and commercial services. The chart below summarizes the government's commercial policy and the applicability of Part 12.

Jim Kirlin, CPCM, CFCM, NCMA Fellow is the author/co-author of three books on contract management.

Commercial Policy (FAR Part 12)	
Commercial Policy (12.101)	Agencies shall— (a) Conduct market research to determine whether commercial products, commercial services, or nondevelopmental items are available that could meet the agency's requirements; (b) Acquire commercial products, commercial services, or nondevelopmental items when they are available to meet the needs of the agency; and (c) Require prime contractors and subcontractors at all tiers to incorporate, to the maximum extent practicable, commercial products, commercial services, or nondevelopmental items as components of items supplied to the agency.
Applicability of Part 12 (12.102)	(a) This part shall be used for the acquisition of supplies or services that meet the definitions of "commercial product" or "commercial service" at 2.101. (b) Contracting officers shall use the policies in this part in conjunction with the policies and procedures for solicitation, evaluation, and award prescribed in part 13, Simplified Acquisition Procedures; part 14, Sealed Bidding; or part 15, Contracting by Negotiation, as appropriate for the particular acquisition. (c) Contracts for the acquisition of commercial products or commercial services are subject to the policies in other parts of the FAR. When a policy in another part of the FAR is inconsistent with a policy in this part, this part 12 shall take precedence for the acquisition of commercial products or commercial services. (d) The definition of commercial product uses the phrase "purposes other than governmental purposes". These purposes are those that are not unique to a government. (e) This part shall not apply to the acquisition of commercial products or commercial services— (1) At or below the micro-purchase threshold; (2) Using the Standard Form 44 (see 13.306); (3) Using the imprest fund (see 13.305); (4) Using the Governmentwide commercial purchase card as a method of purchase rather than only as a method of payment; or (5) Directly from another Federal agency. (f) (deals with policy for commercial products and services related to cyber, nuclear, biological, chemical, or radiological attack)