

Reconstruction and Investment Digest

Legal Update on Ukraine

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Tahan | Cem

Tahan | Cem Attorney Partnership is an Istanbul-based law firm specializing in international arbitration, construction, and information technology. As part of its construction practice, Tahan | Cem regularly advises multinational ENR-250 contractors on infrastructure and energy projects across the globe.

The firm has extensive experience in international dispute resolution, with a strong focus on commercial and construction related disputes in a wide range of jurisdictions.

INTEGRITES

INTEGRITES is a full-service Ukrainian law firm specializing in transactional cross-border work and complex dispute resolution. The firm delivers comprehensive industry-focused expertise to Turkish clients operating in the construction, infrastructure, real estate, and energy sectors. Remaining in Kyiv during the full-scale war, the team of INTEGRITES continues serving foreign and domestic clientele with their business ventures related to Ukraine's reconstruction.

INTEGRITES has served as the exclusive invited author of the Ukraine chapters on Real Estate for the International Comparative Legal Guide by GLG and Legal Industry Reviews (LIR) by The Industry Reviews Group. The firm enjoys consistent top-tier recognition in international legal directories Chambers and Partners, The Legal 500,

IFLR1000, Lexology Index, GAR100, ITR World Tax.

In 20 years, INTEGRITES has served more than 2000 clients from around the globe, including Fortune 500 companies and international financial institutions.

Fieldfisher

Fieldfisher is a global international law firm that regularly represents Turkish construction companies in various jurisdictions including Ukraine by providing them legal services in a wide range of areas, from the preparation of their contracts to the resolution of disputes. This includes representation before international arbitration administered by institutional bodies such as the ICC, ICSID, and LCIA and/or ad-hoc arbitration, as well as before local courts. Fieldfisher has a wealth of first-hand experience in representing clients in Ukraine through its local partners, ensuring a secure and effective integration into the market.

Investment Climate in Ukraine: Opportunities for Turkish Companies in Post-War Reconstruction

With Russia's war against Ukraine reaching the three-year mark in 2025, post-war reconstruction is increasingly significant within policymaking and investment communities. The World Bank and European Commission estimated the cost of rebuilding Ukraine being at least \$524 billion in December 2024.

As Ukraine anticipates its transition from wartime resilience to post war recovery, the country presents a complex but potentially rewarding investment landscape. While security and governance challenges persist, Ukraine's strategic location, EU integration trajectory, and vast reconstruction needs create significant opportunities for foreign investors - particularly Turkish companies with a strong regional presence and experience in infrastructure development. Early movers with high risk tolerance are likely to benefit from first mover advantages.

Türkiye and Ukraine enjoy a strong relationship. During the recent visit of Ukraine's president, Mr. Zelenskyy, to Türkiye, Turkish Trade Minister Bolat shared his optimism about the growth of the relationship by highlighting Mr. Zelenskyy's expectation to exceed the \$10 billion trade target between Türkiye and Ukraine, enhanced by their

Free Trade Agreement signed in 2022. Türkiye predominantly exports iron and steel, mineral fuels, mineral oils, vehicles, and their parts to Ukraine, despite facing global economic and geopolitical challenges. In 2024, Turkish contractors executed projects worth \$28.6 billion, underscoring their historical role in Ukraine's construction post-independence, having completed 329 projects in Ukraine valued at \$10 billion.

In this context, setting up of the Ukraine-Türkiye Reconstruction Task Force aimed specifically at rebuilding Ukrainian infrastructure is a positive sign of the growing cooperation at the intersection of politics and economics. The task force will be headed by a minister from each country and is set to have regular meetings covering topics such as energy infrastructure, ports, railroads and road infrastructure. The idea is also to open new sectors of the Ukrainian economy to the Turkish companies.

Turkish construction companies, renowned for their global expertise, are well-positioned to participate in Ukraine's reconstruction efforts. This article explores the investment climate in Ukraine, emphasising protections, incentives, and legal frameworks pertinent to Turkish investors in the infrastructure and construction sectors.



Investment Climate in Ukraine: Opportunities for Turkish Companies in Post-War Reconstruction continued

Protections Offered by the Ukrainian Government to Investors

To attract foreign investment, Ukraine has implemented several measures to safeguard investors:

- **Simplified Construction Procedures:** The Ukrainian government has introduced a streamlined process allowing foreign companies to undertake construction activities by submitting a declaration of economic activity to the licensing authority, eliminating the need for a traditional construction permit. This initiative aims to enhance the regulatory environment for foreign entities operating in Ukraine.
- **State Support for Significant Investments:** The Law of Ukraine "On State Support for Investment Projects with Significant Investments" offers state support for investment projects exceeding EUR 12 million and creating the required number of new jobs. Benefits include tax exemptions, customs duty waivers, land use rights, and infrastructure support, with state support covering up to 30% of the investment project's cost. The spectrum of sectors covered is broad and includes, amongst others, transport, culture and sport, science and healthcare.

Protections and Support from European Partners

European entities have extended various forms of support to encourage investment in Ukraine:

- International organisations provide guarantees and insurance to mitigate risks associated with investing in Ukraine, addressing concerns heightened by recent conflicts. These measures aim to reassure foreign investors about the security of their investments.
- The European Union has played a key role in providing financial aid, grants, and insurance mechanisms to aid Ukraine's reconstruction, aiming to lower financial risks for foreign



investors. As part of this effort, the EU has set up a €50 billion EU financial instrument (2024-2027) offering grants, loans, and guarantees to support Ukraine's recovery and EU integration. At the Ukraine Recovery Conference in Berlin in June 2024, the European Commission launched its first investment programmes under the Ukraine Investment Framework, signing agreements worth EUR 1.4 billion in guarantees and grants to bolster Ukraine's rebuilding efforts. These agreements include EUR 1 billion in EU loan guarantees and EUR 400 million in blended finance grants, benefiting private companies, small and medium-sized enterprises, municipalities, and Ukrainian state-owned enterprises, with the goal of unlocking EUR 6 billion in investments. At the 2025 Ukraine Recovery Conference in Rome, Ukraine showcased its ongoing efforts to transition from a war economy to an investment-ready environment, highlighting infrastructure, critical minerals and industrial recovery as key themes. The conference formalised the United States-Ukraine Reconstruction Investment Fund, aiming to catalyse public-private partnerships. The EU has committed €18.1 billion in concessional loans, with repayment supported by revenues from immobilized Russian assets. The European Union also announced progress on a €10 billion flagship fund, focusing on reducing risk through export credit agencies and structured insurance.

Investment Climate in Ukraine: Opportunities for Turkish Companies in Post-War Reconstruction continued

Incentives to Invest in Infrastructure Projects

Ukraine offers several incentives to attract investment in infrastructure:

- **Public-Private Partnerships (PPPs):** The Ukrainian government promotes PPPs to leverage private sector expertise and funding in public infrastructure projects, providing opportunities for foreign investors to engage in large-scale developments. On 19 June 2025, Ukrainian Parliament adopted the new law on Public-Private Partnerships that sets out an ambitious goal – to establish PPPs as a cornerstone of Ukraine's post-war reconstruction and a flexible, effective tool for cooperation between the public and private sectors. The new PPP law not only significantly expands the scope of sectors that are eligible for PPP implementation, including transport, transport infrastructure, waste management, energy, electronic communication networks, but also introduces entirely new sectors for PPP implementation such as residential real estate including modular and temporary housing as well as broader social infrastructure. Notably, the list of eligible PPP sectors under the new Law is non-exhaustive, allowing for future expansion in response to the country's needs.
- **Industrial Parks:** Establishment of industrial parks with favourable conditions, including tax incentives and ready infrastructure, to attract manufacturing and construction companies.

Local Ukrainian Laws Protecting Investors

Ukraine has enacted laws to protect the interests of foreign investors:

- **Law on Foreign Investments Regime:** This law ensures that foreign investors receive national treatment, protecting against discrimination and providing guarantees on the transfer of profits and repatriation of capital.

- **Legal Alignment with EU Standards:** Efforts are underway to harmonise Ukrainian laws with European Union standards, enhancing legal predictability and protection for investors.

Bilateral Treaties between Türkiye and Ukraine - Legal Protections in Public and Private Construction Projects

Free Trade Agreement (FTA)

A pivotal advancement in economic relations between Türkiye and Ukraine was marked by the Free Trade Agreement (FTA), signed on 3 February 2022 and ratified by Türkiye on 4 October 2024, with the process of ratification currently underway in Ukraine. To that end, on 7 May 2025, the Cabinet of Ministers of Ukraine approved a draft law on the ratification of the FTA between Ukraine and the Republic of Türkiye. This agreement is intended to strengthen economic ties, simplify trade, and enhance the investment environment between the two nations. The FTA mainly targets goods and services commerce, providing Turkish exporters with preferential access to the Ukrainian market and aiming to eliminate or decrease tariffs on a wide array of products including industrial and agricultural goods. Besides removing customs duties and transport limitations, it outlines steps to refine investment-related and administrative procedures across all sectors, ensuring these are anchored in clear and predictable regulations. The dispute settlement mechanism is based on the WTO's dispute settlement procedures.

The impact of the Free Trade Agreement (FTA) on the economies of each country is significant. Overall, the FTA could be considered a good opportunity for Turkish companies looking to expand their presence in the Central and Eastern European (CEE) region.

Investment Climate in Ukraine: Opportunities for Turkish Companies in Post-War Reconstruction continued

Türkiye-Ukraine BIT

The Türkiye-Ukraine Bilateral Investment Treaty 1996 (the "1996 BIT") offers essential legal protection for Turkish construction companies entering the Ukrainian market by establishing a legal framework that permits access to international arbitration for resolving disputes. This framework helps safeguard investments from any potential undue domestic interference by offering recourse to international dispute resolution mechanisms as an alternative to the local courts. It is worth noting that on 9 October 2017, the states signed a revised BIT, but this document has not been ratified yet. Until the ratification process is complete, the 1996 BIT remains the only enforceable bilateral investment treaty between the two countries.

The 1996 BIT provides a robust legal framework for Turkish investors. Specifically, it protects investments from nationalisation or expropriation, except in accordance with due process of law, on a non-discriminatory basis, and with prompt and adequate compensation. However, the treaty offers limited protection in terms of fair and equitable treatment, as it only contemplates this standard in general terms. As a forward-looking point, the revised Türkiye-Ukraine BIT signed in 2017 explicitly includes a fair and equitable treatment clause, strengthening investor protections. In addition, the 1996 BIT provides for investor-state dispute settlement mechanisms, allowing Turkish investors to pursue arbitration in case of disputes with the Ukrainian government. This provides an impartial and internationally recognised platform for resolving conflicts, thereby enhancing legal certainty and investor confidence.

As a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, Ukraine has incorporated its principles into domestic legislation, particularly the Civil Procedure Code and the Law on International Commercial Arbitration. These laws provide a

structured and predictable framework for the recognition and enforcement of foreign arbitral awards. Ukrainian courts apply the Convention's standards strictly and limit judicial interference to narrowly defined procedural grounds, ensuring a high level of legal certainty for enforcement proceedings.

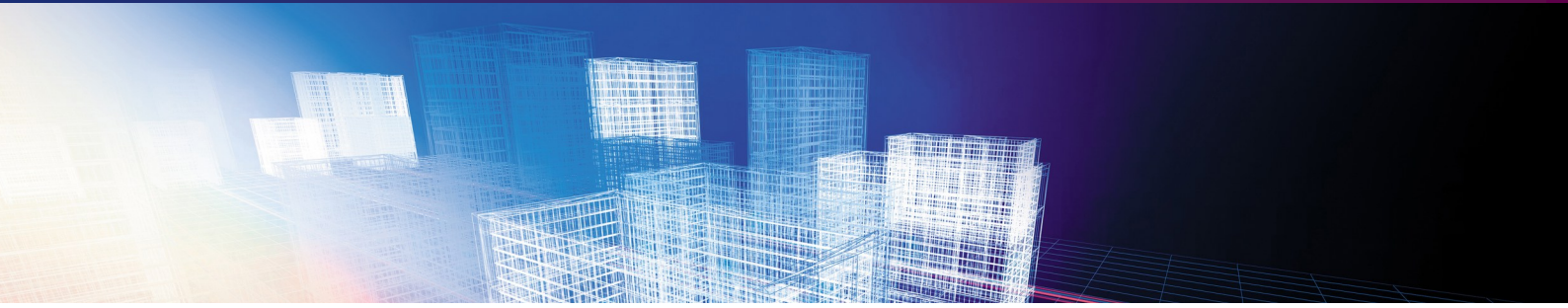
Private Construction Projects

As to non-state related projects, where Turkish construction companies venture into the Ukrainian market for private, non-public construction projects, ensuring robust legal protection is crucial. Unlike investments involving state participation where BIT protections apply, private contracts necessitate detailed legal frameworks to safeguard interests. It is advisable to draft contracts with clauses that specify governing foreign law, like English or Swiss law, to mitigate local legal risks. Additionally, it is advisable to include provisions for foreign-seated arbitrations, such as LCIA in London or ICC in Paris, which offer impartial and universally recognised arbitration processes. These legal protections provide a tailored and comprehensive safety net against uncertainties in private deals, complementing the broader BIT protections available in state-involved infrastructure projects. The combination ensures Turkish companies are well-prepared to address legal challenges, fostering confidence and security in their Ukrainian engagements.

Treaty to Prevent Double Taxation and Fiscal Evasion

The Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion regarding taxes on income and wealth (the DTA) was initially signed in 1996. This agreement was later updated by the 2017 Protocol, ratified by Türkiye in 2020. Collectively, the DTA and the 2017 Protocol seek to eradicate double taxation risks and support cross-border economic interactions. The 2017 Protocol brought significant changes to

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align the DTA with current global tax standards, including an updated definition of "resident" and taxing stipulations for international transport, dividends, interest, and royalties. These changes aim to boost legal assurance, ensure consistency with OECD directions, and foster a clear and predictable tax landscape for international investments between the countries.

Conclusion

Ukraine's post-war reconstruction presents significant opportunities for Turkish construction companies. The combination of governmental protections, international support, investment incentives, and a solid legal framework, including the 1996 BIT, creates a favourable environment for Turkish investors. Engaging in Ukraine's infrastructure development not only promises substantial business prospects but also contributes to the nation's recovery and long-term growth.



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