UKRAINE’S NEW PPP MODEL: HOW DRAFT LAW NO. 7508 PAVES THE WAY FOR RECONSTRUCTION AND INVESTMENT

On 19 June 2025, the Verkhovna Rada of Ukraine adopted Draft Law No. 7508 On Public-Private Partnership (hereinafter - **the Draft Law**), which is currently pending the President's signature.

This Draft Law is intended to replace the Law of Ukraine "On State-Private Partnership" that is currently in effect and sets out an ambitious goal – to establish public-private partnerships (**PPP**) as a cornerstone of Ukraine's post-war reconstruction by introducing a renewed, more flexible and transparent model of cooperation between the state and business in the PPP format.

In this article, we analysed the key novelties of the Draft Law, their practical implications, and the potential impact on the interaction between businesses and the public sector.

EXPANSION OF THE PPP'S SCOPE

First and foremost, the Draft Law significantly expands the possibilities for applying the PPP mechanism in existing sectors:

TRANSPORT AND DIGITAL INFRASTRUCTURE

Previously, the use of state-private partnerships in this area was limited to the construction and operation of a specific list of transport infrastructure facilities, such as roads and ports. Now this list becomes open-ended and will also include, among others, electronic communication network infrastructure, the implementation of PPP projects involving municipal transport operators for the provision of public passenger transport services.

WASTE MANAGEMENT

PPP projects will extend to all areas of waste management, including waste collection and transportation which were previously outside the formal scope of legislation.

ENERGY

The scope of PPP projects has been expanded to include not only electricity generation, distribution and supply but also storage and accumulation of energy.

ELECTRONIC COMMUNICATION NETWORKS

These now fall under the broader umbrella of digital infrastructure, information technologies and cybersecurity. Combined with the newly enabled possibility of PPP projects for software, information systems and digital products, this creates new opportunities for collaboration between the public sector and the IT industry.

The Draft Law also **introduces entirely new sectors** for PPP implementation:

RESIDENTIAL REAL ESTATE

Including modular and temporary housing as well as broader social infrastructure. Ownership of assets constructed under PPP housing projects may be transferred to either the public partner or the private partner or to other parties.

POSTAL SERVICES

This opens possibilities for cooperation with companies like Ukrposhta, for example.

SUPPORT SERVICES FOR STATE INSTITUTIONS

A completely new PPP domain in Ukraine, this includes facilities and services that ensure the operation of penitentiary institutions, pre-trial detention centres and border checkpoints, as well as national security and defence infrastructure.

At the same time, the Draft Law preserves the traditional sectors for PPP implementation: healthcare, education and science, the provision of social services and management of social institutions, development and application of energy-saving technologies, tourism, leisure, recreation, culture and sports.

Importantly, the list of eligible PPP sectors is non-exhaustive, allowing for future expansion in response to the country's needs.

OBJECTS OF PPP

PPP objects now include both movable and immovable state and communal property, as well as property belonging to public sector enterprises, including objects requiring reconstruction or repair. In addition, PPP objects may include, among other things, software, information systems, digital products and vehicles used for the delivery of public interest services under a PPP agreement.

Ownership of PPP objects remains with the public partner, regardless of the value of the private partner's investment while the private partner traditionally benefits from long-term management and operation of the PPP asset and/or the provision of services of public importance.

! Exception – housing construction projects

FORMS OF PPP

Under the Draft Law, only two contractual forms will qualify as public-private partnerships – **the PPP agreement and the concession agreement**. Other contractual arrangements – such as joint activity agreements, property management agreements and similar contracts – will no longer be recognised as standalone forms of PPP.

If any agreement meets the criteria of a PPP, it will be treated as a PPP agreement, and the entire legal framework set forth in the Draft Law – including provisions on project preparation, private partner selection, contract execution and performance – will apply accordingly.

PUBLIC SECTOR ENTERPRISES – NEW PUBLIC PARTNERS

Under the previous legal framework, only state authorities were eligible to act as public partners in PPP projects. In contrast, the Draft Law introduces a new entity – public sector enterprises.

As a result, companies such as Ukrzaliznytsia, Ukrposhta and other state- and municipally owned enterprises will now be entitled to act as full-fledged public partners in PPP projects.

PPP FINANCING

The law introduces a new form of PPP financing – **grants**.

Grants may be provided on a non-repayable basis by donors, defined as international organisations or non-profit legal entities whose mission includes supporting PPP initiatives.

Although the previous legislation did not expressly prohibit alternative sources of PPP financing, only the Draft Law explicitly recognises grants as a distinct form of PPP financing and regulates the specifics of their use — a particularly important development in the context of war and Ukraine's future reconstruction.

The grant mechanism may be implemented through two models:

VIA THE PUBLIC SECTOR	DIRECT ALLOCATION
in this case, the grant is credited to the state or local budget, or to a public sector enterprise's account, for subsequent payment to the private partner	the grant is disbursed directly to the private partner

PPP PROJECT PREPARATION

The Draft Law outlines **three distinct procedures** for the preparation of PPP projects.

GENERAL PROCEDURE

Preparation is carried out in two stages.

STAGE I	STAGE II	A DECISION ON WHETHER TO IMPLEMENT A PPP OR TO DEEM IT UNFEASIBLE
Conceptual note – a preliminary justification of the project.	Feasibility Assessment based on a techno-economic feasibility study (TEFS) – a comprehensive assessment of the feasibility of implementing the project in a PPP format.	must be made within 90 days from the date of submission of the feasibility study.

PROCEDURE FOR BELOW-THRESHOLD PPP PROJECTS

The Draft Law introduces a separate procedure for PPP projects with an anticipated value of less than EUR 5,538,000. In this case, only one stage applies - the preparation of a concept note.

A positive conclusion following the review of the conceptual note shall serve as the legal basis for adopting a decision on the feasibility of implementing the project in the PPP form. This decision must be adopted within **45 calendar days** from the date of submission of the conceptual note. The decision is issued solely by the public partner and does not require prior approval or coordination with the Ministry of Finance or the Ministry of Economy of Ukraine, provided that the project does not envisage any form of state support financed from the State Budget of Ukraine.

This model enables expedited decision-making for smaller-scale PPP projects, including those initiated at the level of municipalities or public sector enterprises. At the same time, such projects may also have significantly shorter implementation periods - not exceeding five years, particularly in the case of housing construction.

The detailed content of the project documentation, as well as the procedures for reviewing the conceptual note, will be determined by the Cabinet of Ministers of Ukraine (CMU).

FAST-TRACK PROCEDURE FOR RECOVERY-ORIENTED PPP PROJECTS

This special procedure applies to PPP projects included in the following official lists:

- The state PPP projects for infrastructure and economic recovery
- The local PPP projects for infrastructure and economic recovery

ELIGIBILITY FOR INCLUSION IN THESE LISTS WILL BE BASED ON THE FOLLOWING CRITERIA:

The need to reconstruct or build new infrastructure facilities damaged or destroyed as a result of the armed aggression of the russian federation

The need to ensure access to essential public services, particularly in healthcare, energy, social and transport infrastructure

The necessity of integrating Ukraine's transport and energy sectors with the EU infrastructure network

The procedure for forming the lists and preparing the respective projects will be established by the CMU. While the content of this procedure has yet to be finalised, the overall structure of the Draft Law suggests that it will be even more flexible and expeditious than the below-threshold project procedure.

The fast-track mechanism will remain in effect throughout the period of martial law and for seven years following its termination.

SELECTION OF PRIVATE PARTNER

The Draft Law provides that the selection of a private partner in PPP projects shall be carried out exclusively through one of three competitive procedures:

a) Restricted tender; b) Open tender; c) Competitive dialogue.

This approach is a logical extension of mechanisms that have already been tested in Ukraine - in particular, similar competitive procedures have been successfully applied in the context of privatisation processes.
This lays the foundation for trust in the new PPP model and enhances its attractiveness for businesses.

Although the procedure for competitive selection is yet to be defined by the CMU, the Draft Law already establishes key provisions regarding the operation of selection committees, the preparation of tender documentation and participant proposals, as well as the criteria for their evaluation. This demonstrates an effort to ensure not only formal transparency but also to create the conditions for fair competition that is clear and comprehensible to both the public and private sectors.

GOVERNING LAW AND DISPUTE RESOLUTION

The PPP agreement shall, as before, be governed by the law of Ukraine. However, the Draft Law allows greater contractual flexibility by allowing the parties to choose a different applicable law for ancillary agreements concluded in connection with the PPP agreement. With respect to dispute resolution, the parties are granted broad autonomy to select appropriate mechanisms, including mediation, expert determination and national or international commercial or investment arbitration, including arbitral institutions located abroad (provided that the private partner or its founding entity qualifies as an enterprise with foreign investment).

GUARANTEES OF PRIVATE PARTNER'S RIGHTS

The Draft Law reaffirms the guarantee of legislative stability for the private partner, a core protection previously available under the existing PPP framework. However, the scope of this guarantee has been substantially expanded to cover changes related to: the object of taxation, the tax base, tax rates and tax incentives or exemptions.

Furthermore, the Draft Law provides that regulatory acts issued by executive authorities or local self-government bodies shall not apply to the private partner if they restrict rights or obligations established under the PPP agreement.

SECTOR-SPECIFIC PPP REGULATIONS

The Draft Law introduces tailored provisions for PPP projects in certain strategically important sectors, including housing construction, road infrastructure and natural monopoly markets.

HOUSING CONSTRUCTION

The duration of a PPP project involving residential construction may be less than five years.

A warranty period for the object operation is recognised as a material term of the PPP agreement.

Prior to the tender, the public partner is responsible for securing:

- urban planning conditions and restrictions
- technical specifications
- any amendments to urban planning documentation (if required)

The public partner must also ensure that the land plot is duly allocated; the land's designated use and zoning of the territory where the project is to be implemented are aligned with the proposed development concept.

NATURAL MONOPOLIES

The PPP agreement for these projects in markets with natural monopolies must specify the economically justified price for socially significant services and the consequences of the state regulator establishing an unreasonable price.

ROAD INFRASTRUCTURE

Certain specific aspects of PPP projects in relation to motorways are regulated: delegation of the construction employer mission to the private partner, allocation of constructed facilities within and beyond the right-of-way of the motorway, resolution of land-related issues, etc.

Moreover, it is expressly provided that tolls for the use of a motorway under a PPP project may be imposed only if an alternative toll-free route is available.

Road maintenance requirements are considered a material term of the PPP agreement.

CONCLUSIONS

The Draft Law primarily aims to simplify the preparation of PPP projects by making the procedures more flexible and efficient – a crucial step for Ukraine's recovery. Key developments in this direction include the introduction of below-threshold PPPs (prepared in a single stage) and a streamlined procedure for projects included in designated lists. These changes potentially open up valuable opportunities for cooperation between smaller public partners, such as municipalities, and the private sector.

The introduction of a new type of public partner – public sector enterprises – will allow the private sector to work directly with state and municipal companies that are more familiar with business practices and commercially oriented. This should also significantly ease the overall collaboration process.

The legislative reform addresses numerous gaps in the existing framework, making PPP-related procedures clearer and more predictable for both parties.

Nevertheless, the success of PPPs will largely depend on the capacity of public partners to effectively prepare and implement projects, as well as their ability to engage with the private sector as a genuine partner. The practical application of the new rules will also rely on the adoption of future secondary legislation.

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