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PRESS RELEASE

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Clearing the landscape for construction – the pitfalls still present in Ukraine

A leading expert has warned of the risk a two-tier approval structure could pose to the burgeoning Ukrainian construction market. In the lead-up to the Euro 2012 Football Championships, the country is in the midst of a construction boom yet the regulatory landscape is far from clear.

Vladimir Monastyrskyy, partner at international law firm Salans, commented, “In this currently overregulated position, the Ukrainian construction market nevertheless remains far from transparent and foreign investors intending to enter the market need to know that without partnering a Ukrainian presence who understands the realities of their market, even the best-laid construction plans can fall into an abyss.”

Speaking in London at the Ukrainian Investment Summit, Mr Monastyrskyy also spoke of the anticipated “one-stop shop” model which the government may establish in order to streamline the licencing and approval process for construction. He said, “Whilst this may smooth out parts of the construction process, key start-up milestones such as land allocation and initial construction permit remain in the domain of local municipalities, creating a two-tier structure which risks having projects completed without having actually begun.”

He also spoke of one of the most common errors being made by foreign investors – not budgeting for delays.

“The time the construction may end up taking is up for grabs in Ukraine right now. The boom is creating unprecedented demand for labour and investors need to be adaptable in their timeframes. Everyone wants their projects complete for 2012, but with a finite amount of skilled labour, something has to give.”

Monastyrskyy has seen the Ukrainian market change significantly in his time, with international law firm Salans having first established an office in Kyiv in 1992. He concluded, “It is refreshing to see that the government is keeping tabs on the pulse of the market and is receptive to change. The investment market now also needs to be adaptable, as witnessed by many investors seeking shelter in the more resilient markets like Ukraine from the credit crunch, but not lose sight of project fundamentals such as cost, timeframes and labour in their rush.”

Salans has over 25 lawyers in Kyiv, assisting domestic and cross-border clients with their corporate, M&A, banking, tax and competition needs across a range of sectors including real estate, financial services, energy and natural resources as well as capital markets.

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