



Land readjustment is the only frequently used instrument in Lithuania. Most of the legislation was adopted more than 20 years ago, is general and does not regulate land value capture instruments in detail. Moreover, landowners and developers resist the instruments. However, there would be favourable conditions to use more land value capture:

- A well-functioning digitised land cadastre and mass land valuation and monitoring systems;
- A programme to increase the responsibilities of local governments, including through the transfer of some urban national land to local ownership and drafting of clearer building regulations. This could accelerate the adoption of land value capture at the local level.

### Main instruments

Instrument (OECD-Lincoln terminology)	Local name	National legal provision	Implementation	Use
Land readjustment	<i>Žemės pertvarkymas</i>	Article 40, and Chapters VIII and IX of the <i>I-446 Law on Land/1994</i>	National government, local governments, special purpose bodies, private developers, private landowners, leaseholders and tenants	Frequent
Developer obligations	<i>Vystytojų įsipareigojimai</i>	<i>Law on Municipal Infrastructure Development/2021</i>	National government and local governments	Occasional
Strategic land management	<i>Žemės tvarkymas</i>	Articles 10 and 31, and Chapter VIII of the <i>I-446 Law on Land/1994</i> ; and Article 5 of the <i>IX-1314 Law on the Acquisition of Agricultural Land/2003</i>	National government, local governments and a special purpose body	Occasional



## Enabling framework

Lithuania is a unitary state with two levels of government: the national level and 60 municipalities (OECD, 2021<sup>[1]</sup>). Municipalities are the planning authorities and decide on land use and management. Local officials have high discretion when issuing planning permits.

According to the Constitutional Court Ruling of 25 September 1996, land has universal value, beyond the value to owners, and should serve the nation's welfare. The national and local government levels create the legal framework for land value capture.



## Developer obligations

Developers are subject to obligations to obtain approval for new development. The obligations consist of cash or in-kind payments. They are designed to compensate the cost of stronger public infrastructure and services use resulting from development. The current legislation entered into force in 2021. The national government and local governments implement the obligations and receive the revenues.

The obligations are calculated using a fixed formula, based on the total public costs private development generates. Developers enter into a contract with local governments and must pay in cash; provide land for local public roads, utilities, parks or public space in general; or provide this public infrastructure directly. At developers' request, they may pay cash obligations through instalments.

The main obstacle is the high cost of the obligations for developers.



## Land readjustment

Land readjustment is used for urban development, brownfield redevelopment and the conversion of rural to urban land. The national government, local governments, special purpose bodies, private developers, private landowners, as well as leaseholders and tenants implement it. They frequently use it. The national government and local governments receive the revenues.

Public entities and private landowners can initiate a land readjustment project. Landowners, leaseholders and tenants participate in consultations. The consent of at least two thirds of the landowners is required. Once this requirement is met, landowners who do not consent can be expropriated at market rate, provided projects are of public interest. Expropriation is frequent in these cases.

Landowners must provide a share of their plots for public infrastructure and services. Additional land may be transferred into public ownership for sale or lease to pay for the costs of such public improvements. The investment in infrastructure and services increases the value of land in the readjustment area. In 2019, the government raised



USD 62 million by selling and leasing plots in readjustment projects. Local governments also increase land taxes and rents to recover the investments in readjustment projects.

After readjustment, landowners receive a plot of a size proportional to their original holdings and located on or as close as possible to their original land. However, landowners may receive newly created plots within the readjustment area or cash instead of land if their original plots are small. They cannot exchange reallocated plots for cash. Owners of readjusted plots that are more than 5% less valuable than original plots receive the difference in cash. However, owners of readjusted plots that are more than 5% more valuable are not required to pay any compensation.

The main challenges for land readjustment come from landowners' resistance and the protection of environmental areas and cultural heritage sites. Landowners frequently challenge readjustment projects in court.



## Strategic land management

Under the Soviet Union, all land was state owned. In 1991, after the Soviet Union's collapse, most land was returned to its former owners or sold. 85% of land was privatised and 15% remained at the central government's disposal.

Strategic land management is used for urban redevelopment, land consolidation and to control urban growth. There is no specific legal basis but the general land management system allows to use strategic land management. The national government, local governments and a special purpose body implement it and receive the revenues.

Land is bought at market price or expropriated. The national government and local governments can buy land within and outside their territory. Occasionally, the national government transfers land to local governments free of charge.

Land is rezoned, which raises land prices. There is no limit to the length of retention of land. It is then sold at market price to the highest bidder or through auctions. In 2019, the government raised USD 40 million by selling rezoned public land, according to the Ministry of Finance. The government also leases its land to generate revenues, provide land for real estate development, and encourage planned development as well as development with a public purpose, for example the construction of affordable housing. The government recovers investments in land purchase through the sale or lease of rezoned plots.

Strategic land management is hampered by the lack of a specific legal basis and lack of coordination between levels of government.