



Land value capture instruments are used sparingly in Ukraine. Though allowed by the Constitution, there is no legal definition nor guiding policy for land value capture. Nonetheless, land readjustment is occasionally used for urban expansion and development but limited to public sector purposes. The main obstacles that limit broader use of land value capture also include landowner resistance, the financial and political cost of expropriation, as well as the protection of designated areas, e.g. environmental reserves or cultural heritage sites. Recent amendments to the land legislation concerning spatial planning may lead to the development of land value capture instruments.

Main instruments

Instrument (OECD-Lincoln terminology)	Local name	National legal provision	Implementation	Use
Land readjustment	землеустрій	<i>Law of Ukraine "On Land Management" /2003</i>	Local governments	Occasional
Strategic land management	просторове планування	<i>Law of Ukraine " About regulation of town-planning activity " /2011</i>	Local governments	Rare

Ukraine



Enabling framework

Ukraine is a unitary republic with a complex three-tier system of subnational governments: 27 regions, including two cities (Kyiv and Sebastopol) and the Autonomous Republic of Crimea; 140 total districts, 1,469 territorial communities, including 460 cities, and 28,369 villages/settlements (Ukrainian government, n.d. [1]). The national government creates the legislative framework for Ukraine's spatial planning system, but there is no national policy document that guides the use of land value capture. Land valuation methodology is typically the responsibility of the national government, while local planning is that of subnational governments.

The principle of a social function of property is included in Article 13 of Ukraine's constitution, which also provides the legal definition of land value capture. The government values land based on the capitalisation of net income from land use; comparing sale prices of similar land plots; and factoring in the cost of land improvements.



Developer obligations

Prior to 2021, developers were obligated to contribute to the development of urban infrastructure via the local community budget. Charges could reach 4% for housing construction and 10% for non-residential development. These charges were an important source of revenue for local governments' development spending, making local communities more attractive for investment following infrastructure development. However, in 2019 the Ukrainian parliament passed a law abolishing these charges except in ongoing projects. Developers' concerns about misspending and inefficiency were behind the repeal. For residential buildings, the cost of share contributions actually increased the price of real estate or rental payments.



Land readjustment

Land readjustment in Ukraine is sometimes used for urban expansion and development. However, national law does not provide any legal basis, and readjustment of private land plots is only possible on the grounds of public necessity. No more than 200 compulsory land purchases are made annually in Ukraine, including for the construction of transport and energy infrastructure, as well as national security and mining.

Landowners, leaseholders and tenants who provide their plots of land are typically involved in the consultation process. In principle, land readjustment projects must receive consent from all affected landowners. However, landowner participation is compulsory when a project serves a public purpose, and land can be expropriated for public needs via court decision in some cases. Such expropriations of land or forced changes in land use are used exceptionally for specific public needs such as construction of infrastructure facilities, mining, and national defence. Therefore, consent rules do not matter for land readjustment projects in practice. Landowners do sometimes appeal against the decision to pool and readjust their plots, but land owned by those resisting readjustment is often expropriated at market rate based on the original use of plots.

Affected landowners are typically reallocated to different plots within the readjustment area and cannot exchange reallocated plots for cash. If the readjusted plots are less valuable than the original ones, affected landowners are entitled to receive compensation. But if the readjusted plots are more valuable, landowners are not required to pay the difference. While land readjustment projects are conducted to meet public purposes, shares of readjusted plots are not typically reserved for improvements to public infrastructure.

All levels of government conduct land readjustment, from the national to municipal level. Local governments do not need approval from higher government levels.

The decision to build infrastructure facilities can be made either by the state administration or the local community, in order to serve either party's specific needs. Landowners whose plots are needed for construction are subsequently notified. An appraiser assesses the market value of the land and of the improvements to be made, after which the owner is offered to buy the land and improvements at that price. If the landowner does not agree to the price, it is reviewed by the administrative court. The court's decision serves as the basis for the forced sale of land.

Obstacles that hinder land readjustment include resistance by landowners, the steep financial or political cost of expropriation, and the protection of areas with environmental, cultural, or other types of significance.

Major amendments to legislation on land use planning, effective from July 2021, are intended to establish a comprehensive plan for spatial development to ensure sustainable development that balances state, public and private interests, and support the registration of new land plots. Further legislation is expected to be adopted in the near future to introduce instruments of forced readjustment of privately owned land to encourage the restructuring and improving of the spatial conditions of agriculture, achieving more efficient multifunctional use of rural areas, environmental protection and infrastructure development.



Strategic land management

Despite transferring almost 32 million hectares of state land to private ownership since independence in 1991, there is still about 28 million hectares of public property. The 1998 Law of Ukraine "On Land Lease" legally defines the leasing of land as a fixed-term paid possession and use based on a contract, required in order for the lessee to conduct business and other activity. In accord with the law, some land is leased to private businesses to generate public revenues or facilitate real estate development. However, there does not seem to be a policy to purchase land to develop or rezone it and thereby capture the value gains of land for the government. Owners of public land plots include villages, settlements, and city councils as defined by law. The main obstacles to conducting strategic land management include an inadequate legal framework, the lack of administrative capacity among public entities, and the lack of financing for the acquisition of land.