

## 1. LEGISLATION

### 1.1 Streamline national housing legislation

The legal framework needs to clarify the State's responsibility for housing provision to different categories of citizens and exclude obligations the State cannot meet in the foreseeable future.

The enactment of laws "On Social Housing Stock", "On Housing and Utility Services" and "On Co-owners of Apartment Buildings", among others, imposes a need to revise or abolish the Housing Code inherited from the Soviet period. The existing duality of housing legislation of Ukraine and the consequent legal uncertainty needs to be urgently resolved. The structure and the volume of the Housing Code (i.e., to what extent it should incorporate norms from the laws "On Co-owners of Apartment Buildings", "On Social Housing Stock" and other legislation) could be amended but, in an environment of proliferating and contradictory legislation, it is recommended to have a single codifying document.

It is also recommended to give up outdated and contradictory provisions. Particular attention should be paid to legal issues such as the status of common property in apartment blocks, including the land plot attached to such a building, balance sheet keeping of apartment blocks and the role of enterprises in housing provision, among others.

### 1.2 Improve legal environment stimulating housing construction

The Government should create a legal framework to encourage increased residential construction, including review of land legislation, tax regulations and acts pertaining to land allocation for residential construction. The legislative framework should encourage the intensification of construction and development of construction technologies as well as shorten time limits and lower the costs of design and construction. Efforts to identify and simplify administrative barriers in the construction sector should be continued.

### 1.3 Modernize legislation regulating the rights and responsibilities related to common spaces in apartment blocks and enforce its implementation

The concept of joint ownership of common spaces needs revisiting as it requires unanimous decisions on management issues which is very often unlikely. The concept of common equity ownership is usually used for such type of property. The contradiction between concepts of asset holding and common ownership should be also eliminated.

The participation of housing unit owners in condominium associations in multi-unit apartment buildings should be mandatory and such associations should have more power to act as customers of housing management services and to enforce decisions

Current law enforcement practices regarding fee setting and collection, decisions on capital investment, owner's participation and engagement of homeowners in property management need close monitoring.

Developments in the legal framework, therefore, need to be accompanied by awareness-raising measures directed towards homeowners (see below).

### 1.4 Consider development of legislation regulating cooperative housing sector and other forms of non-commercial housing

Current civil legislation treats housing cooperatives as transitory; as long as shares are paid, the member of a cooperative becomes the owner of the housing unit and the apartment building turns into a condominium. That was not the case under Soviet legislation, when Ukrainian society got the valuable experience of building and managing apartment blocks as housing cooperatives. Now, housing cooperatives (as well as other forms of non-commercial associations of citizens) could be effective partners of public authorities and targeted for both state and municipal housing assistance programmes. Fostering the non-commercial sector will require the development of adequate legislation.

### **1.5 Strengthen the role of municipalities in implementing the national housing policy**

More power and responsibility in formulating and implementing housing policies should be given to communities, provided they are interested in developing local real estate as a strategic source of their tax base. It is also recommended that earmarked budgetary transfers for housing needs be introduced to communal budgets.

### **1.6 Streamline and coordinate the development of legal framework for land management**

The existing legal framework for land will be substantially improved by the new national law on the SLC and the draft law on the land market. Along with the Land Code of Ukraine, these two laws will be the cornerstone of the legal framework for land administration. The implementation of the law “On State Land Cadastre”, adopted in 2011, was postponed to 1 January 2013 to coincide with the targeted schedule for implementation of the law “On Land Market”. However, in the event that the law would not be ready by 2013, the implementation of the law “On State Land Cadastre” should not be postponed again. The law “On Land Market” should also come into force as quickly as possible, but the impact of restrictions, such as some pre-emptive rights for land acquisition, possibilities for expropriation or the ban on foreign people or companies from purchasing agricultural land should be reconsidered, given Ukraine’s particular circumstances.

### **1.7 Improve legislation for mortgages**

The Government should improve mortgage legislation to decrease risks and thus lower interest rates. This work should be done with the active involvement of mortgage market participants. The Government should ensure an easy and inexpensive foreclosure process, both for the debtor and borrower, but this process needs to be supplemented by provisions for social assistance.

Amendments to existing legislation that will allow the proper functioning of escrow accounts could also facilitate the development of the mortgage market. Escrow accounts are used in established mortgage markets to mitigate risk.

## **2. STRATEGY AND POLICY**

### **2.1 Develop a long-term sustainable housing strategy**

The current set of housing policy measures is driven by the need to react to the most urgent needs and challenges in the sector. It is therefore important

to set long-term goals and strategies for achieving them, linking current policy measures to the strategic agenda. A better-identified group recognized as deserving Government assistance in acquiring adequate housing may be also developed within the Strategy, which would be an important signal to all actors in the housing sector.

This would necessitate an open and transparent process of defining national housing priorities in consultation with different interest groups. The consultation should cover specific topics and, for each topic, involve the appropriate stakeholders. For example, to identify national policy priorities the following stakeholders can be engaged:

- Appropriate ministries
- Representatives of local government and associations of municipalities
- Representatives of national governmental organizations that protect the interests of vulnerable groups and minorities, such as homeless people, disabled people and orphans

A rigorous evidence base to set targets in national and subnational housing strategies should be developed. It is important to undertake a thorough housing survey to identify what type of housing represents the high number of vacant houses and the reasons for vacancy. Oblast or local data could be generated in the form of strategic assessments of oblast and local housing markets. Most of the demand-based data should be based on the Census, which is updated every 10 years (the new census is due in 2013), as well as interim household surveys and expert reports.

Strategic housing market assessment and the formulation of national and subnational housing strategies and related development plans should complement each other to improve and deliver new homes of the right type, tenure and location. A regular five-year review linked to a review of housing strategies and development plans would ensure appropriate long-term responses that take into account changes in some circumstances (e.g., demographics, household composition, housing need and structural changes in the economy).

As a result, a comprehensive system of various forms of support should be developed by central and local governments to citizens depending on their income and financial circumstances.

Priorities of the housing policy or strategy should target vulnerable groups, based on measurable indicators such as:

- Housing conditions (such as how many families are in an apartment, the area per person or if

the housing is dilapidated housing or at risk of demolition)

- Family demographics, such as the number of elderly, young, disabled or orphaned persons
- Economic status, based on income limits

Also, affordable housing initiatives have focused on the cost efficiency of programmes, while equally critical environmental and social development concerns (such as the huge and diverse housing demand, inequality, housing deprivation and environmental inefficiency), as well as broader economic impacts seem to be peripheral or ignored. Ignoring housing sustainability in favour of the short term only leads to the accumulation of housing problems. The proposed approach helps to achieve a win-win-win situation for the environment, economy and society. Measures for different dimensions and levels should be considered; for example, at the national level, the Government may establish a framework for universal, affordable, decent and diverse homes that incorporates energy-efficient, green housing practices and innovations. This would result in a more flexible, diverse and competitive housing market with wider socioeconomic implications (e.g., better health and quality of life, improved labour mobility and employment and increased investment in the housing sector). At the local level, projects may be considered which encourage:

- Affordable energy use
- Green housing design using available local materials
- Access to infrastructure and social amenities that could build a sense of community
- Assistance to community and self-build providers
- Development of domestic economic activities and enterprise

## 2.2 Develop national spatial policy framework

The Government should develop national spatial planning frameworks to set out planning principles, policies and methods. It will provide clear direction to subnational authorities in preparing their planning documents, addressing the priorities specific to their territories. A national spatial policy is crucial to effectively integrate the actions of government departments, the private sector and communities. Setting up a national spatial framework may involve a report on national spatial development, based on relevant observations and research. However, this requires a comprehensive understanding of spatial trends and their effects and a high degree of political consensus.

The overall objective of a national planning framework should be to contribute to sustainable development. It may consider supporting a set of development priorities through territorial solutions, e.g.:

- Stimulating a strong and competitive economy (by, for example, providing strategic sites for investment, improving poor infrastructure, serving or supporting current businesses and allowing mixed-use development)
- Developing city centres
- Delivering a wider choice of good quality housing (by, for example, identifying development sites and locations, planning sustainable residential areas, providing a mix of housing types and ensuring residential regeneration)
- Planning for prosperous rural areas (including promoting tourism and leisure)
- Encouraging sustainable transport
- Promoting good design

The framework will be more acceptable if developed through consultation and dialogue. It should be compulsory at all levels of planning, while ensuring discretion, if necessary. Some issues, like the protection of critical natural resources or cultural heritage, will be more prescriptive, while others, like housing, may offer more choice.

Regional spatial strategies with implementation plans may be either administrative (for a regional government) or functional (e.g., a travel-to-work metropolitan area); they should set out how a territory will develop within 15-20 years, taking into account its socioeconomic dynamics. Spatial strategies should manage the distribution of development, redevelopment and investment and coordination of matters such as healthcare, education, housing, transport, tourism, leisure, employment and the environment (e.g., waste and energy). They should also be strategic or able to identify the general location of development (if in a settlement or subregion) but not establish unnecessarily detailed boundaries. Spatial strategies should encourage other sectors to understand the spatial dimension of their activities and how they relate to decisions in other sectors. Spatial strategies will receive greater influence over sectoral policy if they are approved by the national government, regional government or both.

Regional spatial strategies should:

- Identify key regional matters and policies on topic areas focusing on how much and the location of development (e.g., identify cities for development and development criteria such as proximity to transportation routes)
- Provide clear rationale for the policies in a supporting text
- Cover a set of key topics in areas such as protection of environment and biodiversity, transport

infrastructure and accessibility, economic development focusing on the growth, scale and distribution of new housing and housing demand and affordability

- Provide a spatial strategy diagram to demonstrate the physical extent of policies in general terms
- Identify the procedures on how it could contribute to the achievement of sustainable development objectives
- Include subregional strategies
- Identify how the strategies will be delivered and a timescale for implementation
- Identify clear targets to monitor the delivery of the strategy

### **2.3 Stimulate housing supply to relieve housing deficit and improve affordability**

Recent government housing initiatives have mostly applied financial mechanisms. In particular, cheaper mortgages have helped stimulate demand that in turn helped in finishing stalled construction and selling the glut of apartments on the market. This approach has, however, a limited applicability and may generate further problems. Only symptoms of housing market weakness have been addressed while the key housing problems (housing shortages and the related affordability crisis) remain unsolved. By providing only financial help, the Government will continue to struggle to match supply and demand and reduce housing price volatility. The Government should consider further measures in its affordable housing initiative to ensure adequate housing supply.

The supply side solutions in the affordable housing initiative involve:

- Grants for delivering high levels of housing output
- Infrastructure support
- Reviews of planning to ensure that housing supply is properly handled in regional and local plans
- The use of public land as well as recycling of existing housing and land
- Better guidance to subnational governments

Other affordable housing solutions that could be considered are:

- Buying unsold housing from private developers facing difficulties in finishing their housing projects
- Simplifying the procedure to gain ownership or usage right to a land plot, change its designed purpose (rezoning) and obtain land allotment documents

- Improving the regulatory mechanism and practical implementation for the reconstruction of old housing stock, thereby creating a pool of social housing (including that available for rent)
- Enhancing the regulatory framework (new architectural, planning and technical requirements for affordable housing being built by including energy efficiency requirements)
- Extending of the state banks' capital base
- Increasing funding available with the UNIA and the State Fund for the Assistance of Youth Housing Construction
- Further coordinating and providing support for the development of regional initiatives for affordable housing

### **2.4 Promote diverse non-profit housing providers to ensure alternative approaches to housing provision and a more competitive and balanced housing development market**

Learning from developed economies, Governments in transition countries have already become increasingly aware of the limited capacity of the private sector to reach the wider population, the need for government partnership with the private sector and the need for alternative non-profit and community delivery mechanisms. With limited public funding available, Ukraine would benefit from non-government and non-profit housing providers as they could serve as vehicles for achieving more cost-effective, high quality and well-located housing. The Government may want to consider a review of its affordable housing initiatives to provide more explicit political, regulatory and financial support for the development of non-profit housing provision, including making non-profit housing development attractive for the private sector. Actions may include, for example:

- Creating a strong case for non-profit housing by advocating it as a critical investment for social economic development
- Channelling public resources to the non-profit and community housing developers
- Establishing a system of grant funding; assisting non-profit housing providers to achieve economies of scale by backing their development and financial risks through a combination of capital and recurrent subsidies
- Helping providers develop their organizational capacity and skills and assisting them to obtain financing from the private sector by subsidizing an interest rate or providing matching or start-

up funds and getting planning and development approval for innovative projects

It is thus recommended to strengthen the institutional, personal and financial capacities of condominium associations and individual homeowners as non-profit housing providers. The Government might consider the option to encourage other organizations, including NGOs, to provide support on this task. Today, there are already a number of NGOs which are active in the field of rendering support to condominium associations. However, these efforts mostly take place on a pilot project basis and have limited impact. Active support to these initiatives from the Government, including the spreading of information on good practice, will help to increase the scope of the impact. It would also be useful to develop financial instruments for state-assisted modernization of multi-unit buildings carried out by condominium associations and professional housing management companies, as well as to provide assistance to such emerging private-sector maintenance firms.

## 2.5 Support self-building in the single-family housing sector

Encouraging people to build their own homes has been explicitly promoted in Ukraine's housing strategies. It has been formally acknowledged as a key to achieving the Government's wider aspiration for socioeconomic improvement in rural areas. Self-built housing fits into the cultural and community context of Ukraine's villages and could provide a viable alternative to ensure affordable housing for their population. Cooperation between the Government, NGOs and individual house-builders should therefore be established in order to build on successful community-based housing initiatives. The self-help housing action plan should be supported through adjustment of the regulatory environment for self-build activities, integration of self-help principles and procedures into the institutional framework provided by the State, finance and legislation.

The plan should address the following elements of the self-built process:

- Acquisition and development of land with active community participation, including a community development plan in line with local socioeconomic objectives
- Provision of construction materials, on-site assembling and promotion of small local producers of building materials
- Assistance with the construction process, including the use of local building expertise, local materials and design models, local council databases on best

local practices and materials and the organization of building materials fairs

- Regular and transparent flow of funds into the self-built sector including state funds and subsidies based on clearly-defined and widely known criteria, community control over the contribution and allocation of funds and community-based social funds

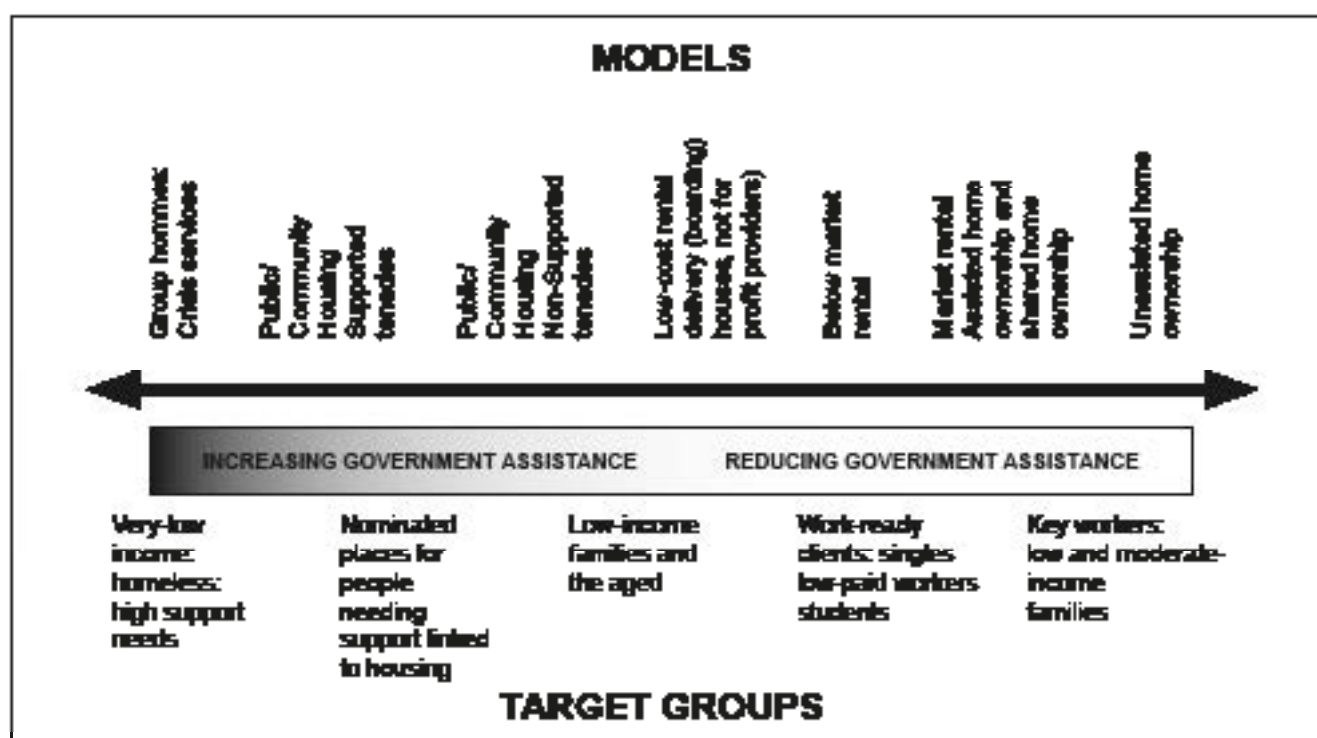
## 2.6 Support residential regeneration

The importance of residential regeneration has been recognized in Ukraine since at least 2000 and some cities have tried to promote city-wide regeneration programmes; however, these have not been successful for various political, economic and social reasons. At the same time, housing regeneration is widely used as a key instrument to support the Government in realizing its affordable housing objectives, including greater housing supply. The challenge, however, is to ensure that regeneration projects effectively coordinate different tasks and outcomes, i.e., making regeneration attractive for investors, yet beneficial for residents and urban development. There have been many successful examples worldwide which can be adapted to the Ukrainian context. Crucially, as evidence shows, regeneration projects must avoid "gentrification" or promoting the development of socio-spatial enclaves for wealthy people, which affects the welfare of many others within these areas and urban society in general. Centrally located areas are particularly prone to the threats of island-like affluent developments ("golden ghettos"), which bring with them serious sustainability problems and create social tensions. Given difficulties in promoting regeneration initiatives in the country, the Government may consider supporting a transition period for working with and raising awareness among the residents of these areas about the multiple benefits of such projects. For this period, the Government may consider taking more responsibility in terms of funding, negotiation and incentives for developers to participate in such projects. At a later stage, more functions could be delegated to local authorities, the private sector and residents.

## 2.7 Expand range of affordable housing (types and tenures)

Current housing initiatives on affordable and social housing are limited to needs-based provisions that target families in housing waiting lists; this has generated further problems, given that the registration of housing need is often not a clear-cut procedure. Under inflexible and expensive housing market conditions, even less needy families have gotten on the list for more affordable housing, resulting in an increased number of households on the list. Thus, government resources have been used not to address the backlog of those with real needs but

Figure 15. Level of government assistance by target group



to provide subsidies, although on a limited scale, to households with diverse housing demands. Therefore, government efforts have had very limited effect on the housing market and in addressing housing problems in the country.

Many households remain in a difficult housing situation which may have a wider implication on Ukraine's economy and society given that housing is a key integrative system in the latter (related to demographics, the social challenges of inadequate housing provision, employment opportunities, the economics of households, and other social aspects). The Government should work towards housing policies and funding priorities that advance integrated housing solutions and affordable, competitive alternatives to expensive home-ownership. This multi-tenure approach is pursued by Governments in many countries and is often associated with low house price volatility and good housing market stability. The extent to which each of the options is developed in a given area will depend on the profile of local needs and demands and the performance of a given housing market.

## 2.8 Stimulate the development of housing construction finance

The Government should assist banks and developers in drafting standard documents for construction loan applications and encourage the construction sector to become more transparent. In particular, it should stimulate construction companies to disclose more information on their activities. This could be done

either by introducing a voluntary code of conduct (jointly with a self-regulated association of developers) or by legal restrictions and incentives.

State and local housing programmes should be targeted and designed not to replace private investment in housing. Given existing economic difficulties and fiscal constraints, the subsidy system has to be targeted to groups in most need of state support. These groups should be able to solve their housing problems through transparent means-tested (income-based) subsidies. The programmes should contain tools for assessing the effectiveness and efficiency of money spent.

## 2.9 Execute a balanced tariff reform for housing and utilities in order to set rational economic stimuli in the sector

Tariff increases aimed at covering investment costs should be backed up by increased support to low-income households through better targeting of budgetary expenditure. Priority should be given to housing allowances compared to supply-side subsidies or categorical privileges.

## 2.10 Improve the land administration and policies in land management.

A number of improvements related to land policy issues should be considered:

- Land administration should be an integral part of the framework for good governance in Ukraine.

It should also implement an e-government approach.

- As easy public access to land-related data is critical, a uniform digital data exchange format based on international standards and web-services is required for sharing official land administration data.
- In addition, public services should develop the one-stop-shop principle for citizens, who currently need to complete several procedures with various administrative bodies to get their property and titles registered.
- The State Registration Service has to be strengthened to improve the status of the register database as soon as possible for the benefit of all citizens.
- Transparent state actions and public registers, including easy public access to information, are key to sound land administration and need to be fully introduced.
- A participatory approach to spatial planning should be taken, based on reliable and current cadastre and topographic mapping.

In light of current circumstances, Ukraine has established a dual cadastre and registration system with responsibilities assigned to MoJ and MoAF and their subordinate bodies. However, different institutional responsibilities together with different technical environments and databases require collaboration between all stakeholders at national, oblast or local levels to make the system work properly. Mutual collaboration between institutions, ministries and municipalities should be improved in order to avoid serious compromises on the reliability and timeliness of data in official land records and to guarantee appropriate state services for all stakeholders in land. In order to build trust in the land administration system, mechanisms for avoiding and fighting illegal practices in land administration should be improved. Pro-poor mechanisms for enforcing land rights at low cost, such as out-of-court settlement of land disputes and mediation, should be fostered.

### **2.11 Improve the real estate market infrastructure**

Clear and unambiguous records of land rights are the basis for the sound development of land, be it in rural or urban areas. Both the registration and the automated cadastre need to provide a full range of services to the public as soon as possible to create opportunities for investment. In addition, real estate markets urgently need to be made more transparent. It is recommended to maintain transaction databases in the regional offices of SALR where every sales

contract could be registered and evaluated. This will allow access to the necessary input data for sound valuation of properties (e.g., index rows,<sup>119</sup> interest rates in real estate, average prices for different categories of real estate and indicative values for land) that can be used for monitoring the development of the land market and providing the necessary knowledge on land values. This would provide a sound basis for the future development of the land market in rural areas, where reliable and official market information is non-existent. Public access to this data must be guaranteed.

### **2.12 Support the development of a market-driven banking sector and microfinance institutions**

The Government should take measures to increase the banks' confidence in the housing market, particularly in the system of property valuation. The information systems on mortgage finance and real estate markets, including property valuations and prices paid, should be improved; the information should be published regularly and made easily accessible to the public. The role of self-regulated organizations should be increased and industry standards should be developed and effectively adopted and implemented.

Microfinance organizations are quite successful in targeting households with low and moderate incomes, but the terms of classic mortgages require them to substantially increase assets and restructure underwriting and servicing practices. The creation of an encouraging legal framework could help address issues of home improvement or repair, especially in low income areas, enabling people in poverty or depressed areas to gain access to essential financial resources. There should both be a targeted subsidy approach and alternative financial mechanisms to develop social housing as recommended in UNECE guidelines on social housing.<sup>120</sup>

### **2.13 Encourage private investment in housing**

Systematic investment promotion through the simplification of administrative procedures, the creation of a favourable investment climate, the reduction of entry barriers and the provision of incentives, like differentiated tax rates and tax exemptions, should be carried out. Within this framework, private local and foreign investment should not only be directed to new construction, but also to renewal, repair and maintenance of existing buildings.

<sup>119</sup> Statistical information for determination of the market value of a property.

<sup>120</sup> UNECE. *Guidelines on Social Housing: Principles and Examples* (Geneva: United Nations, 2006).

The Government should support existing projects aimed at attracting financial resources for renovation purposes and increasing the energy efficiency of housing stock. This could be done through the creation of an enabling legislative framework and disseminating information about projects and good practices across oblasts and municipalities. One example of best practice is a loan programme of ProCredit Bank, which offers 3-year loans to housing management companies for the energy efficiency renovation of multi-family buildings. The loans are repaid through savings on utility payments without increasing the fees of tenants.

The Government should promote PPPs to potential investors and organize a series of discussions with them to increase the efficiency of existing PPP legislation and decrease risks, using existing materials, when possible.

#### **2.14 Increase and make consistent financial means for housing projects, both on the state and municipal levels**

The Government should develop a comprehensive policy framework for the structure and development of a national housing programme. All or a significant share of revenue from real estate, land taxes and the sale of municipal land should be earmarked for housing purposes. On the national and local levels, part of additional tax revenues resulting from economic growth should also be allocated for housing purposes. Municipalities should develop a clear strategy for the infrastructure development of their cities. They should also create an efficient financing mechanism to create all required infrastructure for construction sites on time using fees collected from developers. State and local authorities should also consider partnering with private developers.

The Government and local authorities should make municipal debt securities more attractive, as they could be used to finance development programmes. The National Institute for Strategic Studies has pointed out that issues such as insufficient stock market transparency, limited access to information about issuers and the current macroeconomic conditions of cities, among others, should be addressed.

To increase the quality of existing stock and thus decrease the demand for new housing, a state strategy for housing renovation and repair should be adopted and financed. This strategy should exist alongside housing finance for new housing development.

#### **2.15 Housing finance should be integrated into effective land management practices**

Policies that intend to increase housing financing and affect the demand side of the residential market must be supported by effective land supply policies by national

or local governments. If land supply does not match increased housing demand due to availability of financial tools, house prices could go up, resulting in problems in housing affordability.

The availability of land for residential construction should be significantly increased and a balance between the development of greenfield and brownfield sites should be achieved and maintained. The development of a modern system of land use regulation should be completed.

### **3. INSTITUTIONAL SETTING**

#### **3.1 Strengthen coordination between the national executive bodies when implementing the national housing policy**

The responsibilities of MinRegion regarding interdepartmental coordination should be specified. In particular, it is recommended that MinRegion be empowered to coordinate the housing programmes of other executive bodies in terms of unification of rules, procedures and standards and coordinate with regional planning documents.

It might also be worth establishing an advisory board on housing comprising of members from the national Government, representatives of regional and local administrations, the private sector, housing associations and academics, among others. This board would serve as a forum to exchange views and experiences on different projects, initiatives and their performance. It is however important that within such a process the leading role will clearly belong to MinRegion.

The comprehensive implementation of housing policy would be more efficient if coordination and cooperation of MinRegion with the following national executive bodies were intensified:

- The Ministry of Economy, in order to better reflect in national and social and economic documents the impact that they have on development of the housing sector as well as the impact of housing sector development on macroeconomic indicators.
- The Ministry of Finance, in order to better support and justify the need for budgetary allocation to national programmes in the housing sector. The significant annual variation in such allocations suggests that, despite general budgetary restrictions and the peculiarities of the budgetary process, there is room to improve the financing situation for state housing programmes



### 3.2 Ensure the integration of spatial planning in housing policies

Ukraine's housing authorities have initiated programmes to increase housing supply, but a housing shortage remains, indicating a need for an integrated approach to housing development. New dwellings are built with no proper integration with utilities, with no or limited social or green infrastructure and few transport links. New residential developments are poorly integrated with existing residential structures. There is almost no coordination of housing with matters of wide importance such as improving access to job opportunities, reducing disparities in living conditions and improving regional and local economies.

The Government should ensure the integration of spatial planning in housing by adopting policies to promote planning for housing at different levels. This integration would be particularly effective in coordinating housing with other activities and in helping with housing supply.

Housing should be considered at each stage of the spatial planning and development process by:

- Setting housing objectives as an overarching goal for national planning policies and strategies
- Establishing the levels and methods of housing provision for certain locations; this can include identifying growth points and constructing new settlements or renewing or replacing the housing stock in low demand areas. This should be done with spatial strategies to ensure the efficiency of the residential development process (from identifying specific sites to proposal assessment and approval and the provision of infrastructure).

The specific housing outcomes that the planning system should deliver may include:

- The delivery of housing with higher standards and good design
- A mix of housing, including commercial housing and affordable housing, in terms of tenure and price, to accommodate various households in both urban and rural areas
- An adequate amount of and improved choices of housing, taking into account need and demand
- Housing developments in suitable locations with a good range of facilities and good access to jobs, services and infrastructure
- A flexible, responsive supply of land, including recycled land

### 3.3 Accelerate and coordinate development of the national Cadastre database.

A sufficient budget should be allocated to SALR to allow it to address the huge challenge of setting up the cadastre database for Ukraine in a somewhat short time. The introduction of an automated cadastre is urgent and should be given appropriate attention and priority. In order to have the necessary trained staff, education and vocational training are essential. The private sector should be involved wherever appropriate and possible. The introduction of UCS-2000 for the cadastre of all of Ukraine should be accelerated, as only when the coordinates for all land parcels are entered in the official spatial reference system of Ukraine will it be possible to see the true extent of overlaps and gaps in the cadastral map to be corrected. The proper establishment and delimitation of state and municipal administrative boundaries is also indispensable. Timely completion of this process should be given a high priority. Technical collaboration needs to be improved and strengthened in order to establish a smooth data exchange process between the land register and the cadastre on a daily basis and should be given high priority. Collaboration between the national, oblast and local offices of SALR should be strengthened.

Buildings should be added to the cadastre map where they are missing in order to provide a sound basis for planning, by making use of orthophoto plans and existing mapping material (such as general plans with coordinates and boundaries, when they exist). It is important to make citizens aware of the importance of land registration and educate them about the land registration process.

The cooperation of all land administration authorities in Ukraine with international organizations (such as the UNECE Working Party on Land Administration or EuroGeographics) should be strengthened.

### 3.4 Improve spatial reference and mapping

The State Service for Geodesy, Cartography and Cadastre (Ukrgeodescartographia) has determined the necessary framework for the uniform spatial reference system of Ukraine. It is recommended to complete the work for transforming all cadastre data in the SC-63 system or other local coordinate systems into the UCS-2000 system as quickly as possible. This also applies to the city of Kyiv, with its cadastre still maintaining a separate coordinate system. This process will require a register of all existing local coordinate systems in Ukraine and determination of the transformation parameters. Experiences gained in pilot projects in, for example, Kharkiv or Sevastopol should be taken into account. The benefit of the orthophotos captured as part of the World Bank Project on Rural Land Titling should be exploited to the greatest extent possible and

topographic mapping should be updated making use of these images.

A concept paper on the establishment of an NSDI for Ukraine was already drafted in 2007 and metadata on existing datasets are available. As Ukraine has an urgent need for planning records based on official geodata both for urban and rural areas, NSDI requirements concerning data architecture or standards should be taken into account from the outset.

Ukrgeodescartographia should play a key role in further discussions on Spatial Data Infrastructures and the relevant steering body that should be established for Ukraine. Close collaboration with the cadastre registration of SALR is necessary to efficiently overcome obstacles related to the cadastre. Ukrgeodescartographia should consider establishing a satellite positioning service for Ukraine, in order to make field survey works more efficient.

### **3.5 Gain the trust of investors to promote the development of a sustainable financial sector**

The objectives of public sector reforms and their linkage to sustained growth should be to:

- Improve citizen and investor confidence in the country's rule of law and economy
- Sustainably attract foreign direct investment that can help modernize the economy, rather than short-term inflows in response to high rents
- Reduce red tape, abuse and corruption in regulatory and control agencies that hamper private sector investment and growth

Institutional reforms are necessary to improve governance and gain the trust of investors and citizens. Red tape, burdensome regulation, allegations of corruption and abuse, insecure property rights, perceptions of a weak rule of law, poor governance of State-owned enterprises and limited accountability are the main issues preventing Ukraine from becoming a good prospect for long-term investments. Solving these problems will require radical reform in the way the Government interacts with businesses (including foreign investors) and citizens.

To develop a viable financial sector, Ukraine needs to establish rules-based, arms-length and transparent regulation of the banking sector as well as the entire financial sector. Bank ownership should be transparent and financial information disclosed. As the World Bank has noted, financial market reforms can only be implemented by independent central bankers and regulators free from any conflict of interest.

### **3.6 Institutionalize Credit Bureaus**

The Government should increase the coverage and reliability of information collected by credit bureaus. Historical information provided by a bureau on the creditworthiness of potential borrowers could decrease credit risks for lenders and make mortgages more affordable. Credit bureaus can play a role in educating potential borrowers on ways to maintain a good credit rating and assess their borrowing capacity. The creation of a "Central Catalogue of Credit Histories" is needed to increase the attractiveness of credit bureaus and foster an exchange of information between existing private bureaus and will also decrease the cost of obtaining information on borrowers for banks. The Government should also facilitate the exchange of information between credit bureaus and state registers (as is assumed by law) to be able to provide banks with up-to-date and reliable information about borrowers.

The Government should also support the development of a secondary mortgage market and SMI activities to develop operational and legislative frameworks for mortgage refinancing. It should further consider the future role of SMI as a state agency and determine its key priorities, such as ensuring the balanced development of mortgage markets in all oblasts, providing mortgage refinancing facilities for banks at market rates and providing affordable mortgages for targeted groups of households.

### **3.7 Encourage education and training for borrowers**

To increase the effective demand for housing finance, the Government should implement training programmes for inexperienced borrowers (commercial developers, municipal enterprises, households) on how to develop proper construction proposals, conduct market analysis and evaluate the possible sources of loan repayment. It is also important to encourage training programmes to improve the residential mortgage lending skills of bank staff, since this will benefit the stability of the whole banking sector.

## **4. SPATIAL PLANNING AND URBAN DEVELOPMENT**

### **4.1 Strengthen the role of national regional planning to facilitate national development**

Ukraine's regional planners are struggling to manage development and support socioeconomic tasks, as manifested in: regional disparities, fast-shrinking cities (i.e., Dnipropetrovsk, Donetsk, Kharkiv, Odessa and Zaporizhia), urban sprawl, unbalanced urban development, the loss of green spaces, insufficient infrastructure, decrepit housing and so on. The Government should undertake further reform in

regional planning, i.e., a move to EU an integrative spatial-planning approach<sup>121</sup> may be considered. Regional planning should be part of a hierarchy of state strategic development activities (i.e., in the sequence of spatial development policy, national strategies and programmes, regional strategies and local development frameworks). This integrated planning should be achieved horizontally across different sectors, vertically among different levels of jurisdiction, and geographically across administrative boundaries.<sup>122</sup>

A thorough review of national planning instruments will be required, including laws, policies, plans, guidance, procedures, incentives and sanctions. The key is to establish a proper balance between responsibility and flexibility, identifying what must be immediately responded to, what could be addressed within a longer period and what must be addressed at what government scale. There will be a need for complementary actions at different scales: developing national policies to set generic rules for basic legal quality standards, planning spatial strategies and implementation plans at subnational levels and beyond and designing in a more localized way the organization of towns, villages and neighbourhoods. Government may also consider other instruments to support spatial planning, such as economic instruments, the use of existing data and charging systems. The Government should also consider support for territorial planners to develop the necessary skills.

The shift to spatial planning should build on the country's rich experience in regional development while also drawing on the recent successful spatial planning attempts at regional and local levels (see Chapter IV). It should also make full use of the UNECE guidance on spatial planning.<sup>123</sup>

#### **4.2 Ensure local planning documentation is prepared integrating the multi-level system of spatial planning**

The Government should work closely with local authorities on the development of framework and other plans for local areas, for example, city plans, metropolitan plans and plans for river and transport

<sup>121</sup> As described in: European Commission, ESDP: *European Spatial Development Perspective. Towards Balanced and Sustainable Development of the Territory of the European Union* (Luxembourg, 1999). Available from [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/pdf/sum\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/pdf/sum_en.pdf) (accessed 5 February 2014).

<sup>122</sup> Barry Cullingworth and Vincent Nadin, *Town and Country Planning in the UK* (Abingdon: Routledge, 2006), 14th edn., p. 91.

<sup>123</sup> United Nations Economic Commission for Europe (UNECE), *Spatial planning: Key instrument for development and effective governance*, (Geneva: United Nations, 2008).

corridors. These plans will guide and coordinate proposals for development and provide a general reference for land-use regulation. They will help a prospective developer evaluate the possibility of gaining development rights as well as the constraints and conditions imposed on such development. Framework plans should demonstrate how development proposals affect stakeholders' interests by locating the projects on a map and indicating the precise boundaries of the proposed development. These plans should be a corporate statement of policy from the planning authorities involved, in partnership with other key delivery agencies. The plans should coordinate the spatial aspects of their policies on economic development, transport, environmental protection and other sectors and link closely with public investment programmes.

Framework plans must be binding for regulation and development management, but the degree of prescription should depend on local circumstances. It should be prescriptive, for example, for areas where local authorities lack adequate capacity for producing more detailed regulations, but a minimalist approach should be adopted, highlighting priorities and key challenges in places where change is anticipated. The framework plan should be a snapshot of how policies and investments fit together at a particular point, but it should also reflect the dynamics of spatial development, highlighting trends and uncertainties. More detailed and binding plans will be necessary where there is some certainty of delivery. Overall, the framework plan will be a mix of detailed and binding proposals and general policies and proposals.

#### **4.3 Support an integrated development management approach to development proposals**

The Government has made impressive improvements in development management and future actions should facilitate an integrated development management approach to individual proposals, in line with spatial planning practice. It should establish which development decisions are to be made by national, regional or local authorities and how these decisions are to be made. For example, national decisions may be set through national spatial strategy and regional and framework plans in consultation with local stakeholders. It should determine that development decisions are to deliver agreed plans and are also to be based on agreements reached among different sectoral interests at regional and framework levels. The decisions should be accountable to the appropriate elected body and there should be a procedure to ensure that all developments above certain parameters obtain authorization from the local authority

**Picture 9. A social housing under construction**



The Government is working to introduce detailed regulations through zoning or binding regulation plans. Additional procedures should be considered to allow flexibility in interpreting the zoning plans (given their technical nature) and in evaluating development projects. Another tool that could help to simplify regulation as well as make it more effective is a set of national building codes. For example, a national building code on energy efficiency or design requirements for new buildings is important when local authorities have limited capacity to deal with the issues. Less prescriptive guidance is another tool and used for coordination matters, e.g., the coordination of transport and land use through control of accessibility.

The Government has already made a step to coordinate various regulators of the development process through setting up a one-stop-shop. Coordination may further be improved if the regulators are involved in the preparation of strategies and framework plans.

Enforcement actions will only be accepted if they are consistent and based on transparent policies and procedures. The first step to facilitate effective enforcement is to ensure that spatial planning documentation is not too prescriptive but a joint effort by different stakeholders and is communicated in a clear, concise manner to citizens and investors.