Ukraine

Evolving Legal Frameworks for Housing Development through Public-Private Partnership

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I. The Need for Reconstruction and Replacement of Outdated Housing in Ukraine

The housing problem in Ukraine is one of the most acute social challenges, significantly affecting citizens' sense of security, labour productivity, health, and life expectancy. The issue was not limited to the shortage of housing that meets existing demand and living standards. A particularly serious challenge is the large stock of outdated housing in need of reconstruction or replacement. As of January 1, 2017, more than 30,380 apartment buildings in Ukraine were officially classified as obsolete (approximately 4.3 million sqm).[1] More than one-third of them were so-called 'khrushchev houses' – mostly prefabricated panel houses designed with an expected service life of around 50 years. Although no updated public data are currently available, it is reasonable to conclude that the vast majority of these buildings have already exceeded, or are nearing, the end of their operational lifespan, given that most were constructed between 1957 and 1985.

The large-scale reconstruction or demolition of outdated residential buildings has long been, and still remains, one of the central priorities for public institutions shaping housing policy in Ukraine. The first attempt to address this issue was made in 2008–2009, when the Government of Ukraine developed a special draft Law aimed at demolishing outdated panel housing and redeveloping the freed land with modern residential buildings. However, the program was never implemented due to insufficient funding and the high social sensitivity surrounding the resettlement of residents. In 2021, the Government of Ukraine revisited this issue by submitting to Parliament the draft Law of Ukraine 'On the implementation of comprehensive reconstruction of quarters (micro districts) of outdated housing stock'.[2] This draft Law is currently being prepared for its second reading.

II. New Challenges for Housing Construction Resulting from the War

The full-scale invasion launched by the Russian Federation in 2022 has created profound new challenges for meeting the housing needs of Ukraine's population. According to a joint report by the World Bank, the European Commission, the United Nations, and the Government of Ukraine, as of December 31, 2024, approximately 13% of the country's housing stock had been damaged or destroyed.[3] In addition to residential buildings, essential social infrastructure across Ukraine has suffered severe destruction, with several cities reduced to ruins.

This has had profound social consequences: more than 2.5 million of Ukraine's nearly 4.9 million internally displaced persons cannot return to their homes, either because their dwellings have been damaged or destroyed, or because they are located in temporarily occupied territories or areas where hostilities continue. In addition, around 5.9 million Ukrainians remain abroad.[4] A significant share of them have ex-

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1 Explanatory note to the draft Law of Ukraine 'On the implementation of comprehensive reconstruction of quarters (micro districts) of outdated housing stock', <http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=73497>, accessed 21 September 2025.

2 Ibid.

3 World Bank; Government of Ukraine; European Union; United Nations. Ukraine, Fourth Rapid Damage and Needs Assessment (RDNA4) : February 2022, December 2024 (English). Washington, DC: World Bank Group. <http://documents.worldbank.org/curated/en/099022025114040022>, accessed 1 October 2025.

4 Explanatory note to the draft Law of Ukraine 'On Amendments to Certain Legislative Acts of Ukraine on Improving the Mechanism for Attracting Private Investments Using the Mechanism of Public-Private Partnership to Accelerate the Restoration of War-Destroyed Facilities and the Construction of New Facilities Related to the Post-War Restructuring of the Economy of Ukraine', <https://itd.rada.gov.ua/billinfo/Bills/Card/39902>, accessed 21 September 2025.

pressed intentions to return once the war ends, provided that adequate housing and employment opportunities are available.

Under these circumstances, restoring the housing stock and constructing new homes has become a central government priority and a fundamental prerequisite for planning Ukraine's post-war recovery.

At present, there is no publicly available data on the substantiated needs for housing and social infrastructure construction either at the national level or within individual communities, taking into account the number and geographic distribution of internally displaced persons, as well as their employment potential. What is evident, however, is that addressing the housing crisis and creating conditions for the return of Ukrainians currently abroad will require enormous financial resources, which are not presently available in state or local budgets, nor among citizens themselves.

III. Current Approaches to Supporting Citizens in Resolving Housing Problems

During the war, Ukraine launched several programs to address the housing needs of those affected by the conflict, most of which were financed primarily through donor funding. Given that nearly all housing in Ukraine is privately owned (approximately 98% of the total stock), with only 1.5% classified as social housing under state or municipal ownership, the majority of these programs were designed to directly support citizens in purchasing their own homes and are implemented centrally through the relevant ministries and agencies. Key initiatives in this area include the following programs:

– *E-Oselya*.[5] This program enables members of the defence forces and their families, as well as medical, pedagogical, and scientific workers, to obtain mortgages at a preferential fixed rate of 3% for the entire loan term (up to 20 years), with a minimum down payment of 20%. As of early 2025, more than 15,000 loans had been issued under the program, totalling over UAH 24 billion.[6] In 2025, the program aims to provide 23,000 loans with an overall value of UAH 56.6 billion.[7]
– *E-Recovery/Project Home*. This initiative provides compensation for destroyed housing in the form of housing certificates, financed by the Council of Europe Development Bank and the European Union. To date, €100 million has been allocated, enabling more than 5,000 people to secure new housing. In 2025, an additional €100 million has been committed to support a further 3,000 families, alongside a €10 million EU grant.[8]

IV. Challenges in Addressing Housing Problems During the Recovery Process

Programs enabling citizens to purchase private housing play an important role, yet they alone are insufficient to address Ukraine's immense housing needs. Addressing the housing crisis requires a comprehensive approach with broader and more diversified solutions.

First, providing every person who has lost their home with a privately owned apartment is neither financially feasible nor advisable under current conditions of uncertainty. Many displaced persons remain undecided about where they wish to live in the future and are therefore unwilling or unable to invest substantial resources in purchasing housing. This highlights the urgent need to develop a rental housing sector, including affordable social housing, which would be both accessible and in demand.

Second, housing alone does not guarantee a decent standard of living. People require access to well-functioning social infrastructure – schools, kindergartens, hospitals, sports facilities, and more. For this reason, new housing should not be built as isolated buildings but rather as part of carefully planned residential neighbourhoods equipped with the necessary infrastructure. Such development must also take into account residents' employment opportunities,

5 E-Oselya Diia Platform, <https://eoselia.diia.gov.ua/>, accessed 21 September 2025.

6 'Хмарочос' official site, <https://hmarochos.kiev.ua/2025/02/10/yak-ukrayina-vidpovidaye-na-zhytlovu-kryzu-rozbyrayemos-z-programamy-ta-inicziatyvamy>, accessed 21 September 2025.

7 Ukrinform official site, <https://www.ukrinform.ua/rubric-economy/3818320-urad-rozroblae-kilka-pilgovih-program-dla-zabezpecenna-ukrainciv-zitlom-minekonomiki.html>, accessed 21 September 2025.

8 Official site of the Ministry of Community and Territorial Development of Ukraine, <https://mindev.gov.ua/news/ukraina-ta-brrie-pidpysaly-uhodu-na-100-mln-dlia-vydachi-kompensatsii-za-znyshchene-zhytlo-v-ramkakh-prohramy-ievidnovlennia> accessed 21 September 2025.

as well as the logistical and utility capacities of the region (transportation, electricity, water supply and sanitation, heating, etc.).

Projects of this scale could be implemented only in a centralised way under the leadership of local governments, which manage land resources and have a clear view of current and future housing needs within their territorial development strategies. However, such initiatives would require substantial financial resources that local authorities currently lack.

In the present circumstances, an effective approach to addressing the housing needs of the population should include:

- establishing a rental housing sector, including social and service housing, within territorial communities,
- ensuring housing development follows an integrated approach, where residential construction is planned and implemented together with the necessary social infrastructure,
- exploring innovative mechanisms for addressing Ukraine's housing challenges, including the use of Public-Private Partnership (PPP).

V. Opportunities to Utilise PPP for Housing Construction

Until recently, housing construction through the PPP mechanism was not considered a realistic option in Ukraine. This was largely because almost all housing in the country remains privately owned, with only 1.5% classified as social housing under state or municipal ownership. However, the challenges created by the war have compelled the government to reconsider, placing greater emphasis on the development of rental housing, including social housing. As a result, the possibility of applying the PPP mechanism for these purposes has begun to be explored.

On July 19, the Verkhovna Rada of Ukraine adopted a new version of the Law of Ukraine 'On Public-Private Partnership'[9] (PPP Law) and introduced significant amendments to the Law of Ukraine 'On Concession'[10] (Concession Law). Amendments to these laws were published on July 31, with their key provisions scheduled to enter into force on October 31, 2025.

These laws introduce a new model for applying the PPP/concession mechanism to housing construction. The proposed approach is designed to help the government manage financial constraints by attracting private investment into the housing sector, and also mitigate investment risks of private businesses in post-conflict environments. Both issues are critically important for Ukraine today.

New legislation defines potential PPP objects in the field of housing construction as:

- divisible and indivisible real estate assets, including those to be constructed in the future: newly built residential and non-residential premises, buildings, structures, auxiliary property (eg, garage boxes, parking spaces, other non-residential areas), etc.
- unfinished construction projects owned by the state, municipalities, or enterprises in the public sector.

The laws stipulate that the public partner/concessioner in PPP/concession projects for the construction of housing and social infrastructure on municipally owned land must be the relevant local self-government body.

When implementing housing construction projects under PPP/concession arrangements, the public partner/grantor is required to:

- develop and approve, or amend, the relevant urban planning documentation, which simultaneously serves as land management documentation,
- take necessary measures to issue urban planning conditions, restrictions, and technical specifications for the design of real estate objects within the PPP framework,
- form a land plot and align its designated purpose with the functional zoning of the territory.

These preparatory actions, often resource-intensive and time-consuming for private businesses, must be completed by the public partner (in the case of communal land, by the local government body) before launching a competitive selection process for the implementation of a PPP project.

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9 The Law of Ukraine 'On Public-Private Partnership', <https://zakon.rada.gov.ua/laws/show/4510-%D0%86%D0%A5#Text> accessed 21 September 2025.

10 The Law of Ukraine 'On Concession', <https://zakon.rada.gov.ua/laws/show/155-20#Text>, accessed 21 September 2025.

VI. Housing PPP Projects vs Traditional PPP Arrangements

It is important to note that the mechanism for implementing PPP/concession housing construction projects under Ukrainian legislation differs from traditional PPP/concession arrangements, particularly in objectives, risk allocation, and revenue models. This mechanism can be applied both to the development of state or municipal rental housing, including social and service housing, and to the provision of new privately owned homes for people who have lost their residences as a result of the war.

Key provisions of the new legislation in this field include:

- Upon commissioning, a designated share of the completed housing must be transferred to the public partner and/or allocated for specific beneficiary groups identified by the public partner (eg, veterans, persons with disabilities, internally displaced persons, or other socially vulnerable populations). Housing transferred to the public partner may be used as rental housing, including social housing. Allocation of apartments to designated beneficiary groups may take place free of charge or at preferential prices, as defined in the corresponding PPP/concession agreement.
- Real estate constructed in the framework of a PPP/concession housing project, other than the portion transferred to the public partner or to specific beneficiary groups identified by the public partner, may be classified as: state or municipal property, property of a public sector enterprise, or private property of the private partner/concessioner. As a result, ownership of a single PPP/concession housing may be shared simultaneously by the private partner/concessioner (eg, specific apartments or premises), the public partner/grantor, and individual beneficiaries. Private partner/concessioner has the right to alienate its property rights (including special property rights) and/or future real estate objects in the scope, size and on the terms set out in the corresponding PPP/concession agreement.
- The management of residential buildings constructed under PPP/concession arrangements is carried out in accordance with the general rules applicable to multi-apartment buildings with individually owned units. This process is regulated by the Law of Ukraine 'On the peculiarities of exercising the right of ownership in an apartment building'.[11]
- A PPP/concession housing project may include design works and may, but does not necessarily, provide for the technical maintenance of the constructed facilities. Thus, it is possible to implement a PPP/concession project that covers only housing construction (and potentially social infrastructure), without ongoing maintenance that effectively resembles a traditional public procurement model.
- In accordance with both laws, PPP/concession projects for housing construction may be short-term, with a duration of up to five years.

PPP/concession projects for housing construction must specify the key initial parameters of the PPP/concession object, including the number of floors, building density, characteristics of the associated social infrastructure (such as schools, kindergartens, and healthcare facilities), requirements for parking (if applicable), and the provision of civil defence protective structures. In other words, such projects can and, given Ukraine's housing needs, should be designed for integrated development, encompassing not only residential buildings but also the necessary social infrastructure.

The distribution of ownership rights over these objects must be clearly defined in the PPP/concession agreement. Specifically, the PPP Proposal prepared by the public partner should determine which facilities are to be transferred to the public partner/grantor (in the case of community-owned land, to the relevant local self-government body) and which will remain under the ownership of the private partner/concessioner. This allocation must balance the public interest with incentives that make participation attractive for private investors.

In most regions of Ukraine, PPP/concession housing projects can only be implemented with government support, as without it, they are not financially viable for the private partner/concessioner. This support may take the form of availability payments or other mechanisms, such as public co-financing of costs related to the construction of engineering and transport infrastructure (roads, utilities, communica-

11 The Law of Ukraine 'On the Peculiarities of Exercising the Right of Ownership in an Apartment Building', <https://zakon.rada.gov.ua/laws/show/417-19#Text>, accessed 21 September 2025.

tions, energy supply systems, etc.) that, while not part of the PPP facility itself, are essential for its implementation. Support may also be provided in the form of grants to the private partner/concessioner in the PPP/concession project.

VII. Possible Options for Applying New Housing PPP Mechanisms Considering Public Interest

The new mechanism incorporated in the PPP Law and Concession Law for engaging private business in housing construction could be recognised as an innovative financing scheme based on mixed-use developments and co-investment models. If implemented properly, it can incentivise private developers to build housing that is both affordable and sustainable.

However, in practice, this mechanism can be applied in a limited manner, essentially resembling traditional public procurement but under highly favourable terms for private partners/ concessionaires. These terms may include government or donor support, assistance from the public partner/grantor in resolving land-related challenges, and facilitation of urban planning approvals. At the same time, a portion of the completed assets (eg, apartments and other premises within a residential building) may remain under the private developer's ownership.

While this approach is undoubtedly attractive to private business, the units retained by the private partner/concessioner would enter the private housing market, making them accessible only to those who can afford to purchase them or benefit from limited government subsidy programs. Furthermore, without adequate investment in accompanying social infrastructure, demand for such housing is likely to be constrained, ultimately reducing its broader social impact.

At the same time, if applied wisely and with the public interest at its core, this mechanism can become an effective tool for addressing housing challenges in Ukrainian communities and for making them more attractive to displaced persons, both those within the country and those currently living abroad.

How can it be used effectively?

– First, PPP/concession projects should focus on the integrated development of settlements, ensuring that residential housing is complemented by the necessary social infrastructure. In such projects, apartments and other premises may be allocated to the public partner (as rented, including social or service housing), to beneficiaries, and to the private partner/concessioner, without requiring the latter to provide technical maintenance of the transferred housing. At the same time, social infrastructure should remain under the ownership of the public partner/concessioner, with the private partner/concessioner at a minimum responsible for its maintenance and upkeep during the term of the PPP/concession agreement.
– Second, these projects should be implemented in partnership with donors who not only provide financial resources to secure project viability but also can impact ensuring new housing stock safety and resilience and compliance with other conditions. For example, projects could be required to integrate energy-efficient technologies and guarantee accessibility for people with disabilities. Such cooperation would enable communities to build their own stock of rental/social housing while defining clear allocation criteria (eg, target categories of beneficiaries, pricing policies, etc.) Where residential buildings developed under PPP/concession include rental/social housing, the private partner/concessioner may also assume responsibility for managing these housing units.

The second approach offers clear advantages for all stakeholders: government, developers, and citizens through shared risks and resources:

– For governments or municipalities, it helps resolve local housing shortages, enhances economic potential, reduces social tensions, and creates conditions conducive to talent retention and business development,
– For serious, strategically minded private partners, it ensures long-term stability and alignment with public priorities, and
– For community residents, it delivers tangible improvements in living conditions and quality of life.

VIII. Conclusions and Recommendations

The PPP model for housing construction, as established in Ukrainian legislation, offers a viable and effective tool for providing housing to people affected by the war. Its successful application, however, requires implementing integrated development projects that combine residential construction with essential social and engineering infrastructure, while also accounting for the long-term development prospects of specific territories, including their industrial base, transport connections, energy capacity, and logistics potential.

Local governments should play a leading role in this process. They are responsible for defining and implementing territorial development strategies and possess the most complete information on demographic trends, housing demand, and social infrastructure needs. As managers of community land resources, they are also best placed to ensure flexible and efficient land-use planning to support housing construction initiatives.

To encourage municipalities to adopt PPP as a mechanism for housing and related infrastructure provision, the government should create enabling conditions, including but not limited to:

– Awareness-raising and capacity-building within municipalities to showcase the potential of PPP as a comprehensive tool for addressing housing challenges and creating liveable communities with adequate social infrastructure.
– Targeted training programs for local governments to strengthen expertise in project planning, financial modelling, and risk management related to PPP initiatives.
– Integrity safeguards, requiring thorough analysis of proposed PPP housing projects to protect the public interest and prevent misuse of PPPs as a way to bypass competitive procurement.
– Robust public accountability and monitoring systems to safeguard the rights of affected populations and ensure the long-term sustainability of housing solutions.
– Strengthened cooperation among municipalities, donors, and private businesses, including partners from supporting countries, to mobilise resources and expertise for PPP housing projects.

It is equally important to establish clear and practical rules that simplify PPP implementation in housing through the development of secondary legislation to the PPP Law and Concession Law, namely:

– Methodological guidelines for preparing concept notes and feasibility studies for PPP housing projects.
– A methodology for assessing PPP effectiveness, including procedures for calculating government support levels (eg, availability payments).
– Standardised model tender documentation.

By applying this approach, the PPP model can become a catalyst for post-war housing recovery while also promoting balanced and sustainable territorial development.