
Government assistance program in the housing sector in Lithuania

M. Burinskienė

The author

M. Burinskienė is based at Vilnius Gediminas Technical University, Vilnius, Lithuania.

Abstract

The centralised system of apartment buildings was destroyed and replaced by a market-type procedure of acquiring dwellings as private property. Privatisation started in Lithuania in 1991. At the beginning of 1996, 94 per cent of dwelling stock was privatised. One million two hundred thousand dwellings in Lithuania (including individual houses) with common space of 75,581,280 sq.m. existed – that is 343 flats per capita. Physical lack of dwellings is the main problem. That is confirmed by number of families registered in municipalities in waiting lists for state support in order to afford dwellings. At the beginning of 1998, 96,661 families were included in the waiting lists for the support. Quantitative housing indicators are better in rural areas. However, lower qualitative indicators describe by provision with municipal service: water supply, sewerage, hot water, district heating. The urban population was not satisfied with size (living space), thermal and noise isolation characteristics. In this report Lithuanian household income and expenditures are shown for each of the ten income deciles. The affordability is greater in urban areas than the same deciles situated in the rural areas. Amendments to the Law on Housing Provision of the Republic of Lithuania were introduced on 21 October 1997. The main changes are presented in the article. Local government support in the housing sector of Vilnius is also described. The state government is responsible for the strategy in housing sector as well as government assistance. The main duties should be divided between state and local government. Social housing is the solution for needy people on condition of market economy, and financial support must be brought to the target groups of people.

Introduction

The problem of housing is urgent in Lithuania which has poor housing reserves and long waiting lists for improvement of housing. Following independence, the central system of apartment building was destroyed and replaced by a market-type procedure of acquiring dwellings as private property. At this stage of transition in the Lithuanian economy, the majority of the Lithuanian population is incapable of satisfying even minimal housing needs without state or municipal support. Therefore, one may distinguish between two types of housing: homes or flats acquired self-dependently and homes acquired with the state's support.

Privatisation and restitution of dwellings

Privatisation of property started in Lithuania in 1991. The Supreme Council passed a Law on Housing Privatisation in 1991, which provided possibilities to dwellers (living in state and public-owned dwellings) to purchase living space into private ownership. The matter applied to residential houses, dwellings in multifamily houses and hostels. Houses and dwellings of damage status could also be privatised if, according to the approved plan of city development, they were not to be demolished. The right to purchase a residential house or dwelling was given to each person permanently living on the territory of the Republic of Lithuania, as well as to those persons who, on the day of the law enforcement, were tenants or tenants' family members of the house or dwelling or whom the living floor had been provided according to the order established after passing the law. Following valid legislation foreigners may also purchase the private right to a dwelling or house in the same way as a citizen of Lithuania. Land plots for foreigners may be sold or leased.

At the beginning of 1996, some 532,900 residential houses and dwellings from the public and state-owned dwelling stock were privatised by complying with 94 per cent of declarants for privatisation. The total useful floor area of these residential houses and dwellings amounted to 28,600.000 sq. metres. Dwellers paid for the houses and

dwellings they bought in cash by 22.6 per cent and in vouchers by 76 per cent.

The housing privatisation in Lithuania had some positive and negative aspects. From one perspective, dwellers received the opportunity to buy residential houses and dwellings from the rented state and public owned housing stocks with the right to dispose, buy, sell, mortgage, etc. From the other perspective, it seems that all people have equal opportunities to privatise their flats, but the starting positions have been different.

Another mistake of privatisation was the permission to privatise almost all houses, even those with physical wear and tear, with worn-out engineering services (e.g. sewerage), damaged roofing, etc. Now and then, many new problems have been raised connected with house or flat refurbishment, renovation and thermal insulation.

In 1991, a law was passed on the terms and conditions for the restitution of citizens' rights to remaining real estate. The law determined the order and conditions for the restitution of ownership to any Lithuanian citizen whose immovable property had been nationalised or made public in another way during the Soviet occupation times. In connection with the implementation of the law, many problems appeared. For example, the restitution of residential houses and dwellings to their former owners, the eviction of tenants who now live in these houses and dwellings by providing them with new living space. In order to solve the above-mentioned problems, separate programmes are under preparation and targeted financial means are being allocated.

At the beginning of 1995, there were in Lithuania 11,300 families living in residential houses and dwellings to be restituted to their original owners (or their descendants). During 1994, 6,200 th Litas were allocated for tenants' eviction needs, but only 494 families were evicted. As reimbursement, 9,000 th Litas have been allocated for residential houses and dwellings buying up from former owners. By early 1995, 20 per cent of residential houses had been restored to their owners.

Privatised or restituted dwellings came not only under the ownership of the majority of Lithuanian citizens, but also as goods that may be sold. Restitution and privatisation influences the housing market differently, depending on social groups of tenants.

The Lithuanian housing stock and its quality

At the end of 1996, there were 1,269,626 dwellings in Lithuania (including individual houses) with common space of 75,581,280 sq.m. There were 343 flats per 1,000 inhabitants or 20.4 sq. m. of useful floor area per capita. In comparison to 1990 the number of flats increased by 109.5 per cent and its common floor area by 105 per cent (see Table I).

Reducing housing construction and reorganisation of part of the housing stock into non-living premises (economic and commercial), especially in large cities, is the tendency of indicators of provision with dwellings proportionally left positive. The bigger increment of the number of flats in comparison with its useful floor area and capacity of construction is connected to privatisation of hostels and reorganisation of their rooms into flats.

A positive influence on the indicators of provision of dwellings is also being made by demographic changes, i.e. decrease in the total size and age structure of the population.

In Lithuania there is a physical shortage of dwellings. At present the shortage amounts to 100,000 dwellings. This is confirmed by the number of families registered in municipalities on lists for state support in order to afford dwellings. At the beginning of 1998 some 96,661 families were waiting for this support.

The level of provision with dwellings in Lithuania is lower than in other developed European countries. For instance, in Denmark there are 473 dwellings per capita, in Sweden there are 471 dwellings per capita.

In Lithuania there are quite remarkable differences in provision with dwellings between urban and rural areas (see Table II).

The quantitative housing indicators are better in rural areas. These areas do not demonstrate a physical shortage of dwellings. However, they do display lower qualitative indicators in other characteristics, at first by provision with municipal service: water supply, sewage, hot water, district heating (see Table III).

There is insufficient statistical data concerning provision of municipal services in rural areas.

Following questionnaire investigations (provided by separate investigators) it is possible to make the conclusion that in rural areas provision with water supply amounts approximately to 60 per cent, hot water 56 per cent, district heating 62 per cent (including

Table I The Lithuanian dwelling stock 1990-1996 (end of year)

Indicators	1990	1991	1992	1993	1994	1995	1996
Number of flat units	1,115,920	1,165,700	1,110,500	1,203,800	1,225,800	1,246,551	1,269,626
Total useful floor area sq.m.^a	71,989,200	70,981,100	66,751,470	72,907,700	73,270,428	74,176,056	75,581,280
Note:							
^a Floor area of hostels has not been included							

Table II Indicators of provision with dwellings in urban and rural areas (end of year)

Indicators	Urban areas			Rural areas		
	1990	1994	1996	1990	1994	1996
Number of flats per 1,000 inhabitants	292	322	339	349	345	348
Total living floor area per capita, sq.m.	17.0	17.8	18.6	24.1	23.7	24.3

Table III Qualitative indicators of the dwelling stock (end of year)

Indicators	1990	1994	1996
Average useful floor area of dwelling, sq.m.	57.5	58.3	59.5
Including:			
In urban areas	53.1	53.5	55.1
In rural areas	65.4	67.8	68.6
Urban dwelling stock with equipped (%):			
Water supply	88.4	89.9	90.2
Sewage	88.0	89.5	89.9
District heating	86.8	87.7	87.3
Hot water	72.3	72.6	75.6
Bath (shower)	79.4	81.8	82.5
Gas	84.4	82.7	82.5
Electric stove	9.7	10.0	9.9

individual modernised and local centralised heating for house).

According to an investigation carried out by the Statistical Department, about 34 per cent of the respondents were not satisfied with the quality of their accommodation. The urban population were not satisfied with the size (living space), thermal and noise isolation characteristics. Therefore, the most important problems which must be solved in cities are physical lack of dwellings, and improvement of spatial and thermal characteristics of the accommodation.

Housing affordability for established households

The purpose of the affordability analysis is to compare the present incomes of households

and housing costs of different kinds of dwellings. The analysis takes into account the vast dispersion of income in Lithuania in order to estimate which families can afford which dwellings. The affordability measure is achieved by comparing the income of different income groups with an estimation of the minimum required consumption for a Lithuanian family. Also included are the prospects for the future development in housing affordability.

Much of the data presented in this report have been from the Department of Statistics to the Government; in particular, statistics regarding the field of housing have been proved well substantiated. However, much of the data are provided through poll-surveys of the population, interviews with more or less representative groups of the population. Some

of the information must be regarded with this in mind. Owing to the missing income declaration, which will be initialised in 1999, data in this paper are also mainly based on surveys. Below, the Lithuanian household income and expenditures are shown for each of the ten income deciles (Table IV).

To clarify whether there are differences between the urban and rural population we have calculated the housing affordability figures for 1996 (Table V).

The affordability is greater in urban areas, than for the same deciles situated in the rural regions. This is primarily due to generally higher incomes in urban areas. However, the sources of error must be noted, when comparing rural and urban income. The monetary income in rural districts is lower than the income in urban regions, but provisions (e.g. own food production) supplement the income in return. The housing cost will expectedly be somewhat higher in urban areas since land prices and wages are higher.

Housing shortages for existing households

The following discussion aims at estimating the shortage of housing on the present market and hence the possible need for additional

supplement of the existing dwellings with new buildings. Two overall factors determining the need for new buildings are addressed in the analysis:

- (1) Estimation of number and type of households lacking a dwelling, based on waiting lists and statistics (couples living with parents, singles over 25 living with parents, elderly living with their children, people without accommodation).
- (2) People living in unsatisfactory housing: flats without kitchen, bath or central heating, households in overcrowded dwellings defined as less than one room per person.

In the preparation of the BUSTAS programme and in the general debate on housing problems in Lithuania considerable weight has been put on the waiting lists for housing administered by local authorities (Table VI).

The waiting list has been decreasing since 1992, at what time 100,000 families were eligible. When considering the different character of state support, families have the largest demand for favourable credits. More than 85 per cent of the eligible families need favourable credits, whereas less than 15 per cent need municipal dwellings (Table VII).

Table IV Lithuanian household income and expenditure data for 1997

Income deciles	Figures per person per month (Litas)									
	Lower income					Higher income				
	1	2	3	4	5	6	7	8	9	10
Disposable income ^a	147	226	240	273	293	341	369	412	469	692
Consumption	116	171	212	249	284	328	378	439	534	927
Housing expenditures (rent and energy)	13,2	22,9	30,2	36,2	40,7	52	53,2	66,2	72,2	113,2
Persons per household	3,8	3,3	3,1	3	2,8	2,7	2,6	2,4	2,3	2,1
Difference income expenditures	31	55	28	24	9	13	–9	–27	–65	–235
Note:										
^a Including income in kind										

Table V Affordability differences between urban and rural population in litas/household/year (1996)

Income deciles	Calculation per household (deciles)									
	1	2	3	4	5	6	7	8	9	10
Maximum housing affordability – urban	2,462	4,158	4,873	5,724	6,485	7,290	7,706	9,331	10,074	14,818
Maximum housing affordability – rural	1,824	2,970	3,348	4,644	4,939	5,249	6,209	6,710	8,446	10,811

Table VI Number of families eligible for state support

	1993	1994	1995	1996	1997
Number of families eligible for state support in dwelling acquisitions	91,828	98,490	98,461	97,355	96,661
As percentage of total number of families	7.1	7.5	7.6	7.1	7.3
Families by from of state support					
Favourable credit	73,189	77,959	78,727	80,849	82,146
Renting of public dwelling from municipalities	12,630	15,060	14,608	14,110	14,005
Buying of rented dwelling by instalments	6,009	5,471	5,126	2,396	510

Table VII Waiting list for housing

	Families on list	Persons on list	Members per family	Waiting list time (in years)				
				–5	6–10	11–15	16–20	20
Total list	96,661	255,223	2.6	37,204				
Wants credit	82,146	96%		28,932	35,679	14,027	2,729	779
Wants tenancy	14,005	16%		8,044	4,006	1,431	396	128
Waits in future	510	1%		228	203	772	6	1
Normal families	85,782	22,5404	2.6					
Wants credit	77,785	91%		26,359	34,397	13,635	2,640	754
Wants tenancy	7,520	9%		4,243	2,124	807	257	89
Waits in future	477	1%		205	195	70	6	1
Special group	10,879	29,819	2.7					
Wants credit	4,361	40%		2,573	1,282	392	89	25
Wants tenancy	6,485	60%		3,801	1,882	624	139	39
Waits in future	33	0%		23	8	2		

Table VII indicates that the waiting list is old especially when focusing upon the number of years people have been listed. More than 70 per cent of the eligible families on the 1997 waiting list had been listed for six years or more. This group has even been on the list before Lithuanian independence and thus before the very large privatisation of dwellings. Many of the eligible families listed may have changed needs and/or preferences regarding housing. Revision or updating of the list is recommended.

An indication that the waiting lists in practice are inappropriate with regard to measuring housing needs is an investigation carried out by the municipality of Vilnius. During 1997 Vilnius Municipality has sent 3,000 letters to waiting listed people. The investigation showed that 44 per cent of the households could not be found at the address indicated and 22 per cent did not reply thus showing no interest in a dwelling. Only 8 per cent

confirmed the need for a dwelling as soon as possible. Almost everybody demanded rented dwellings. The experience from other municipalities shows it is difficult to find families on the waiting list who want to buy dwellings under the BUSTAS programme.

The statistics on waiting lists is therefore not optimal for assessing the housing needs in Lithuania. It is assumed that those on the waiting list for more than five years now have no relevant need, except for pensioners and people with special needs. This will reduce the number of households in need of a dwelling to less than 40,000.

State supported housing

State supported housing is regulated by the Law of the Republic of Lithuania on Housing Provision that came into force on 1 June 1992. State supported citizens can be granted credit on favourable terms or receive subsidies

for acquiring a house or a flat, to rent a municipality owned living space in accordance with the state regulated rent taxes or to buy them paying by instalments. State supported citizens are registered with municipalities. At the beginning of 1996 the state supported citizen list included 97,355 persons and families. The first priority queue of the state supported people included 86,567 and the second priority queue – 10,788 persons, i.e. 7.3 per cent of the households. The majority (83 per cent) would like to obtain credit on favourable terms, 14.5 per cent would rent municipality-owned dwellings and the rest, 2.5 per cent, would buy municipality-rented dwellings by instalment. Of the persons included on the list of state supported individuals, 61 per cent would rent municipality-owned dwellings. Credit, under favourable conditions and housing subsidies, is being granted by the General and Municipality Housing Assistance Fund for housing construction and purchase. During the period of 1993–1995 credits and subsidies from this Fund amounted to 230 ml. LTL. The major part of this funding has been granted to housing construction associations which were established prior to 13 February 1992 (i.e. to finance the completion of Soviet co-operative housing construction). Its volume at the beginning of 1992 amounted to 14,500 units. Until the beginning of 1996, 13,000 (350 apartment blocks) had been inhabited. In the period of 1993–1995, some 3,940 families had been granted the state support. After the completion of the co-operative housing construction state support will be provided to the people included on the municipality register. Assignments to the municipal housing fund and promotion of the finance market has also been provided.

A very important task for government assistance in the housing sector is legislation. On the 21 October 1997 changes in the Law of the Republic of Lithuania on Housing Provision were enacted. The main changes are:

- Standard of supporting living area is included: persons, who have the right to be included on the waiting list are those who have more than 10 sq.m. living area, but less than 60 sq.m. for a one to two persons family, 75 sq.m. for three persons family, 90 sq.m. for four to seven persons family, and an additional 12 sq.m. for each person in an eight or more persons family.

- In a separate group are the needy families. The families, which have persons of I or II invalid group, persons who have chronic illnesses, single people or pensioners, orphans and children without parents, who have terminated institutional care, also large families.
- In the new draft, two types of support are foreseen: (1) support for the acquisition of (to build, buy or reconstruct) a residence; (2) support for renting a municipal residence at regulation tariffs. In the first case support is monetary and the second, property.
- Support for getting a dwelling depends on interest rate subsidies for bank loan (there is a difference between commercial and privilege interest rates) and subsidy for the down payment.
- For persons who build their own individual house there is privilege support to rent or buy land parcels according to government regulations.
- In the new draft it is not possible to get support for privileged credit from the state budget. This support was earlier given according to the Law of Provision of Resident Dwellings.
- It is foreseen that in the long-term dwelling credit (loans) will be given by banks (or others financial institutions) from their own credit resources. As a result, in the long term, credit for dwellings will be oriented to the financial market. This should enlarge the sum of credit resources and people's ability to get a loan.

Local government support in the housing sector of the city

Strategies (example of Vilnius city)

The city should develop a housing policy and programmes directed towards social needs. Only part of these activities might involve the development and operations of "social housing". The city will also have to generate new resources to have any significant impact on the problem. Some possible strategies include:

- *Develop a more accurate assessment of housing needs in the city of Vilnius.* There needs to be agreement on what are the social needs for housing and research to determine the full extent of these needs. This will inform ongoing policy and programmes.

- *Generate new resources for housing.* There are many ways that municipalities can generate new housing resources. Open and transparent deals can be made with developers of new high cost housing to also provide lower cost units or contribute funds for their development.
- *Provide transparent and well targeted housing subsidies.* Any housing subsidies which the city provides using its own budget or state funds should be visible and understandable. They should also only be provided to people who really need them and in appropriate amounts. Ideally, they should also produce long-term social benefits, not short-term individual benefits. Subsidies should be recovered as much as possible as family incomes increase.
- *Improve access to existing social support subsidies.* Many people do not use the modest subsidies which are available. They need more help to access these state subsidies. By helping these people, the city can reduce the debts they have to its enterprises and heating companies. Appropriately, the existing energy subsidies encourage people to live in units of the proper size to meet their needs. The subsidy is based on normative areas/person and will not cover costs for additional area.
- *Maintain and increase the stock of social housing for rental.* The city needs to develop a policy for the 8,000 units it still owns. Some of this housing is serving social needs, but it is scattered in many buildings and difficult to manage. The social housing stock might be increased through purchase and repair of existing housing and/or building new housing. In either case, this is an expensive programme which needs to be carefully considered. Social housing could be owned and operated by the municipality and/or other non-profit groups. The city might also become the full or part owner of housing which has already been privatised.
- *Reduce housing costs.* The city might find ways to reduce costs for social or private housing. These include: providing free or cheap land, reducing fees and charges,

seeking out grants and donations, making deals with developers such as allowing increased densities and developing innovative financial mechanisms.

- *Establish a city housing fund.* Revenues from city and state budgets, proceeds from land sales or rentals, arrangements with developers, recovery of grants and subsidies, etc. could all flow into a fund for targeted subsidy programmes, social housing development, consumer education and capacity building.

Conclusions

A number of conclusions result from this discussion:

- The state government is responsible for developing and implementing strategies in the housing sector as well as providing government assistance.
- The main duties need to be divided according to responsibilities between state and local government and fixed in legislation.
- Social housing is a necessary solution for needy people in conditions of a market economy.
- Financial support must come from direct subsidies to target groups of people.

Further reading

- Daunora, Z. and Rimkevičius, S. (1996), "Socialinis būstas: samprata, plėtros formos ir projektavimo normatyvų sudarymo principai", *Urbanistika ir Architektūra*, Vilnius, Vol. 2 No. 24, pp. 15-20.
- Ministry of Construction and Urban Development (1996), *Housing in Lithuania*, Vilnius, 46 pp.
- Statistikos departamentas, (1997), "Lietuvos būsto fondas 1994-1996 metais", *Leidinio*, Vol. 3440, Vilnius, 41 pp.
- Study on Government Assistance Programmes in the Housing Sector (1998), Diagnostic Report. Danish Ministry of Housing and Lithuanian Ministry of Construction and Urban Development, Romboli, SBI, April, 71 pp.
- UN Conference (1996), *Housing and its Environment in Lithuania Today, Tomorrow and After Tomorrow*, National Report for the UN Conference on Human Settlements HABITAT II- 1996, Vilnius, 72 pp.