

OVERVIEW OF THE IMPLEMENTATION OF THE HABITAT AGENDA AT THE LOCAL AND NATIONAL LEVELS IN LITHUANIA

In order of implementation of the Habitat Agenda at the local and national levels in Lithuania a Government Program for activity in housing sector for 1999-2000 was prepared.

The main goals of the program were:

- Promotion of construction of residential houses and flats by using residents' savings, orientation of the financial market into long-term crediting of the housing construction, differentiation of application of the state financial privileges;
- Funding promotion for the social housing development;
- Creation of conditions for renovation, modernisation and thermal insulation of the existing housing stock.

For the period 1997 – 2000 were suggested and fulfilled the following measures:

1. To orientate the country's financial market towards long-term crediting

. Financial reforms were focussed on transition from the high centralised and subsidised housing financing to system of private initiative and real cost of housing services. A new financial framework was created in Lithuania, which will provide the housing sector to operate on market principles. Now private households have become the main investors on the base of their personal savings. The Lithuanian Government has proclaimed that the main goal was to increase the affordability of housing for every household. Public financial support for housing is limited, although different types of direct and indirect governmental support related to housing have been introduced. In 1999 the Government made a commitment to distribute funds from the General Fund for Housing Construction and Acquisition for the period 1999-2000 for: to promote construction of new residential buildings, to facilitate modernisation of existing municipal housing and to assist the purchase of dwellings at market prices.

Lithuania has to improve the overall investment climate in the housing sector together with introduction of mortgage system. The initial infrastructure of the mortgage market is in place. The Government is directly involved in retail mortgage activity - it offers highly subsidised mortgage products. At the moment the Commercial mortgage lending is starting its activity. Government made efforts aiming to promote private mortgage lending through governmental guaranteed mortgage insurance system and proposals for secondary mortgage market development. These arrangements will replace the existing governmentally subsidised mortgage system.

In 1999 the Housing Loan Insurance Company has been registered. Tasks of the Housing Loans Insurance Company: to form insurance contracts with

banks, that provide loans for people, who are included into waiting lists for financial support in order to build, buy or reconstruct dwellings according to the Law on Provision Citizen of the Republic of Lithuania with Dwellings. Its functions are as follows: forming the insurance contracts for loans; determination of the insurance fees and payment of them or partly in cases and order settled by Ministry of Finance or Ministry of Social Security and Labour from the General Support Fund for construction or purchase of residential houses; control of usage of loans issued by the Insurance Company; control of credit usage administration varied out by banks; taking over bank rights into the mortgage property and realisation of the mortgaged property.

The General Support Fund for Construction and Purchase of Residential Houses is carrying out functions as follows: lends soft credits; compensates banks' disparity between market interest rate and soft credit rate; replenishes, if necessary, financial costs, local municipality's support funds for residential construction; assigns financial means for municipal housing construction; accumulates financial means obtaining earlier credit's repayments and replenishing them by means, received from State budget and other resources.

2. To increase the social effectiveness of State support in the housing sector

The goal was to revise the existing legislature and other normative acts regulating provision of State housing subsidy, transferring to differentiating state subsidy programmes and taking into account household incomes and the state's capabilities. In 1999 were co-ordinated :

a) *Draft Law on amendments for the Law on homeowners' associations in the multifamily houses.* Here were foreseen: removal of collisions with other legal acts; democratisation of the establishment and governing of association by enlarging necessary number of voters in decision making; making more precise duties and responsibilities for members in the associations; concretisation ways and order of the state and municipality support for the homeowners' associations.

b) *Draft Law on amendments for the Law on provision citizen of the Republic of Lithuania with dwellings.* Here were foreseen: to aim criteria of the citizen incomes and property for the support; refusal in main part the preliminary registration applications and waiting lists for support; covering of the interest subsidies or its part only for young families and socially vulnerable families; establishment of new forms of the support – insurance of the housing credits and subsidies for the insurance fees as well as compensation of rents fee for persons with low incomes.

3. To strengthen social guarantees in the housing sector and to expand municipal housing construction.

1306 thousand dwellings are in Lithuania, and it accounts for 353 dwellings per 1 000 of the population, 21,1 sq. m. of useful floor space per person. Some

100 000 new dwellings need to be constructed in order to liquidate such physical shortage of housing.

97 percent of apartments are private ownership. Currently local governments dispose approximately 2 percent of the housing stock in the country (about 32,000 dwellings).

Annual increase of the municipal housing stock accounted for 350 apartments in 1996, 1997 and 1998. Thus the annual increase of the housing stock accounted for only 1,5%.

For renting municipal housing, its total useful area per family member should not exceed 18 sq. m and should not be less than 10 sq. m. Thus the municipal rental social dwellings are of modest parameters - mainly these are 1-2 room apartments. Bigger apartments are provided only to large families that are not numerous in Lithuania.

Development of the municipal rental housing was foreseen in the state support program 'Bustas', approved by Government still in 1992. It included increase of the municipal housing stock by 12 000 apartments in 1996-2000 (annually 2 400). However, when financing source was interrupted due to privatisation and capitalisation of state enterprises further development of the municipal housing program became complicated and since 1996 the State funded construction of about 350 apartments yearly. Meanwhile, the waiting list of the socially needy persons includes more than 6 600 families eligible to rent social housing (the total number of families requesting to rent social housing exceeds 15 000).

There is discussion in the Government how to increase investment into the municipal social housing development. A task for increase of the municipal housing stock yearly by 2000 housing units is elaborated. An issue how to employ means of the EC Social Development Fund is under consideration.

At the same time a task for limitation of pretenders to the municipal social housing is raised. The drafted law contains proposal - to rent social housing only for persons (families), that means-households with low incomes. The suggestion sets the yearly incomes limit to 1875 US\$ in case of household consisting of one person and 3125 US\$-in case of family household. Also, there is proposed compensation of rent fee for household, which has a right to social housing, however, it rents a flat due to the lack of the social housing.

Corresponding legal provisions promote investment into residential construction. State insurance for housing loans as additional guaranties for banks was enforced last year. The profit taxation to construction companies was reduced from 29% to 20%. Value Added Tax for construction works was reduced from 18% to 9 %. Corrections in laws regulating relations with land were made in order to remove barriers connected to land-use for the housing construction.

4. To increase the power of local governments in solving housing, engineering and social infrastructure problems

Vilnius is the first city in Lithuania that has started the housing policy. The housing program for Vilnius was approved by the City Council of Vilnius in 1998. These initiative supplements the goals determined by the UN Conference 'Habitat' in Istanbul (1996) emphasising the local government role in the housing sector.

The program provides two principle goals:

- 1) to provide conditions that all inhabitants in Vilnius had and could acquire respective housing;
- 2) seeking for partners.

The state funds are insufficient for implementation of the first goal. Apartment owners, NGOs, home owners' associations, financial institutions, housing maintenance enterprises, developers, municipalities, the state, participating in formation of the housing program, pursue their objectives. Thus the program's aim is to facilitate the role of each participant in the process and to use available funds and experience of the state, private and public sectors appropriately.

5. Conservation and restoration of the historical and cultural heritage

In 1998 the Vilnius Municipality has prepared Old Town Revitalisation Strategy and on its base two institutions – the Vilnius Old Town Renewal Agency and the Vilnius Old Town Revitalisation Fund were established in 1999. As a result – the Municipality approved the programme for the Old Town Revitalisation and financial fund for renewal was collected. In 1998/1999 restoration and renewal works for some US\$ 5 million were completed using the budget resources and for some US\$ 25.00 million from private sector sources.

6. To cut energy consumption in buildings and environmental pollution

Energy Efficiency Pilot Project promoting energy efficiency in the residential and public building sector is under implementation in Lithuania. In the framework of the EEHPP project a significant number of homeowners associations and municipalities initiated energy efficiency projects. As of December 1999, US\$ 4.7 million out of total US\$ 10 million World Bank loan was allocated for municipalities and more than US\$ 5 million in loans were approved for homeowners associations and owners of single family houses.

In the beginning of 1999 Lithuanian Government decided to introduce 30% grant for homeowners associations investing in energy efficiency. New grant system together with already developed support network resulted in significant increase of loan applications. As of December 1999, more than 100 homeowners associations and 22 owners of single family houses implemented various packages of energy efficiency measures with resulting energy savings

of about 20% on average. In individual cases energy savings varies from 5 to almost 50% compared with previous consumption

The Government of Lithuania is currently preparing a strategy for promotion of energy efficiency in residential and public buildings. One of the major objectives of the strategy is to ensure sustainability of favourable financing of energy efficiency improvements and effective utilisation of support network established in the framework of the Energy Efficiency/housing Pilot Project.

The above mentioned work is carried out by the Housing Credit Foundation, which tasks are as follows:

- to provide efficient usage in settled order of loans, received on behalf of Lithuania and raised with guaranty of Government and allotted from the Lithuanian State budget for thermal insulation of residential houses and social buildings (health care and education) as well as for renovation in approach of energy saving and crediting of construction of pilot projects .
- to promote owners of flats in multifamily houses to join into active associations, undertaking duties to maintain premises of common use and engineering equipment.

7. To improve urban settlement and infrastructure development planning.

(a) Prepare general plans for district and municipal territories

All Lithuanian cities and regional centres have prepared General plans before restitution of independence. In 1997-2000 are prepared and approved new Comprehensive plans for development of main cities: Vilnius - capital city, Klaipėda - main harbour, Panevėžys - one of industrial centres; Preparation of Comprehensive plans is almost completed for Kaunas - secondary city, Palanga and Druskininkai - main resort areas; Preparation of Comprehensive plans started for Šiauliai

(b) Prepare plans for the development of protected areas, conforming to plans for their protection and alternative functions and taking into account the interests of local residents

Every of 5 National Parks are prepared development plans. About 20 development plans for protected regional areas are prepared and adopted as well.

(c) Prepare general plans of the new generation of Lithuanian cities.

Totally new generation of the comprehensive plan is prepared for Vilnius.

8. To protect the natural landscape and to create a safe environment

A number of wastewater treatment plants were completed in 1998/1999. Biological treatment plants were completed in Vilnius, Klaipėda, Panevėžys, Palanga, Zarasai, Alytus Ukmergė, Vilkaviškis, Utena, etc, mechanical treatment – in Kaunas. At the moment in all biggest cities and some 30 regional centres wastewater treatment plants are set into operation.

In 1999 an Outline for Waste Material Management Strategy and Action Plan was prepared. Also the Lithuanian national Strategy of Energy passed parliament (Seimas) on October 1999. Here prospects for replacement of crude oil with gas was foreseen.

Use of leaded fuel in vehicles was prohibited in 1997. A feasibility study for cleaning former military waste areas was prepared in 1998.

The last conception of the National Nature Frame for the development and management of green areas in cities and boroughs was prepared in 1999 for including into Lithuanian Comprehensive Plan.