



European Construction Sector Observatory

Policy fact sheet

Lithuania

Municipal Social Housing Development Action Plan

Thematic objectives 1 & 3

September 2019



In a nutshell

Implementing body	Ministry of Social Security and Work						
Key features & objectives	Action Plan to provide municipal social housing to eligible families and individuals to increase the municipal social housing stock. Housing to include renovations and new builds.						
Implementation date	2015 – 2020 (extended to 2023)						
Targeted beneficiaries	Families and individuals entitled to social housing						
Targeted sub-sectors	Municipal social housing (residential)						
Budget (EUR)	<table border="0"> <tr> <td>EU (ERDF¹) funding:</td> <td>49,931,529</td> </tr> <tr> <td>Municipal funding:</td> <td>10,452,484</td> </tr> <tr> <td>Total budget²:</td> <td>60,384,013</td> </tr> </table>	EU (ERDF ¹) funding:	49,931,529	Municipal funding:	10,452,484	Total budget²:	60,384,013
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Municipal funding:	10,452,484						
Total budget²:	60,384,013						
Good practice	★ ★ ☆ ☆ ☆						
Transferability	★ ★ ☆ ☆ ☆						

The vast majority of housing is privately owned. However, the shortage of social housing is a major problem in Lithuania. Social housing is managed by different municipalities across the country, but it accounts for only 3% of the total residential housing stock³. The demand for social housing has been continuously growing over the last two decades, largely due to issues such as persistent unemployment and a rise in the number of households at risk of poverty⁴. In 2013, the demand was 3.69 times higher than in 2004.

Although the Lithuanian government invested over EUR 21 million between 2012 and 2014 to improve the provision of social housing, the impact of the government's social housing policy has been limited. According to the Ministry of Social Security and Labour, the average waiting time for social housing is between 10 to 15 years in Vilnius (Vilniaus) and Kaunas (Kauno)⁵. In 2012, for example, there were over 31,000 households, which

represents about 70,000 people, on the waiting list. This is 4% more than in 2011⁶. By 2013, the number of households eligible for social housing had grown to 32,550, which represents 71,999 people⁷.

Table 1: Households eligible for social housing, 2013

Municipality	N° of eligible households
Alytus (Alytaus)	1,643
Kaunas (Kauno)	6,599
Klaipėda (Klaipėdos)	3,960
Marijampolė (Marijampolės)	1,865
Panevėžys (Panevėžio)	2,193
Šiauliai (Šiaulių)	3,025
Tauragė (Tauragės)	1,408
Telšiai (Telšių)	1,646
Utena (Utenos)	1,433
Vilnius (Vilniaus)	8,778
Totals	32,550

Source: Ministry of Social Security and Work, 2018⁸

Data from the Department of Statistics reveals that the people that are eligible for social housing make up a rather diverse group. Those include young families, families raising three or more children, families with adopted children, people without parental care, disabled people and families with disabled people, as well as social housing tenants that are entitled to improved housing conditions⁹.

Table 2: Type & number of people eligible for social housing, 2013

Type of people eligible	N° of eligible households
Young families	9,629
Families with 3+ children	2,346
Left without parental care	3,053
Disabled people and families with disabled people	4,724
General (individuals and families not included in the lists)	12,274
Social housing tenants	524
Totals	32,550

Source: Ministry of Social Security and Work, 2018¹⁰

To meet a growing demand for affordable housing, the Ministry of Social Security and Labour approved

the Municipal Social Housing Development Action Plan. The Action Plan is part of the National Progress Programme¹¹ for Lithuania, which aims to increase the accessibility of housing to vulnerable groups¹² and the Lithuanian Housing Strategy (Lietuvos būsto strategija)¹³, which sets the long-term national policy objectives and priorities for the improvement of housing in Lithuania¹⁴.

At the moment, implementation of the Action Plan is still ongoing across different municipalities.

The measure has proved to be partially successful thus far, although progress varies

considerably from one municipality to another. Insufficient planning prior to implementation has resulted in a 3-year extension to the expected implementation end date (2023).

There is some concern about whether the measure will deliver the target number of social housing units by 2023. More broadly, there is concern that even the target number of social housing developments will not be enough to satisfy the growing demand for affordable housing in Lithuania.

1.

General description

The Municipal Social Housing Development Action Plan finances construction projects to meet the growing demand for affordable housing across different Lithuanian municipalities.

The goal is to provide 1,150 housing units by 2020 to accommodate more than 12,000 individuals.

To achieve that goal, the Action Plan aims to provide one, two and three-bedroom apartments in old and new multi-apartment buildings. The decision on the size of apartments is determined on the basis of individual needs with at least 14 sqm per person¹⁵.

The Action Plan aims to promote the construction of energy-efficient buildings with minimum energy efficiency of class C.

To implement the Action Plan, the funds for the provision of social housing were allocated based on waiting lists across 10 Lithuanian municipalities. Priority was given to the six largest municipalities - Vilnius, Kaunas, Klaipėda, Šiauliai, Panevezys and Alytus¹⁶, where the demand for social housing is particularly high. Based on the allocated EU funding (from the European Regional Development Fund), the municipal governments contributed an average of 21% to the budget as shown in Table 3.

Table 3: EU and municipal funding

Municipality	EU (ERDF) Funding	Municipal Funding
Alytaus	2,520,974	445,227
Kauno	10,125,320	1,786,821
Klaipėdos	6,076,113	1,121,485
Marijampolės	2,861,603	599,679
Panevėžio	3,364,878	955,696
Šiaulių	4,641,475	1,071,965
Tauragės	2,148,120	379,083
Telšių	2,525,576	445,704
Utenos	2,198,754	388,017
Vilniaus	13,468,716	3,258,807
Totals	49,931,529	10,452,484

Source: Ministry of Social Security and Work, 2018¹⁷

However, no strategic plan for social housing development was adopted at the municipal level prior to implementation, specifically in Vilnius and Kaunas¹⁸.

In 2014, the National Audit published a report, which emphasised that in order to provide more affordable housing, priority should be given to buying and renovating apartments as opposed to building new social housing¹⁹. Based on these recommendations, the Action plan was altered with two key changes:

- Many municipalities gave priority to buying and renovating apartments;²⁰
- The total number of social housing units targeted was increased from 1,150 to 1,921.

Once the municipalities had received their allocated funding, they each conducted a qualitative cost-benefit analysis to determine the best value investment options²¹. Due to a lack of suitable apartments in old multi-apartment buildings for social housing, some municipalities decided to prioritise the building of new multi-apartment houses²². For example, in the municipality of Vilnius, where the average price for secondary real estate is relatively high, the preference was given to building new multi-apartment houses.

Table 4 lists the final housing delivery plan by municipality. Out of the total of 1,921 apartments that are expected to be completed by the end of 2020, 1,203 will be renovated properties and 718 will be new builds. 192 apartments (108 renovated and 84 new) are allocated to people with disabilities.

Table 4: Number of renovated and new apartments

Municipality	Renovated apartments	New apartments	Total
Alytaus	93	13	106
Kauno	345	33	378
Klaipėdos	89	80	169
Marijampolės	57	87	144
Panevėžio	65	78	143
Šiaulių	163	42	205
Tauragės	71	28	99
Telšių	92	38	130
Utenos	110	25	135
Vilniaus	118	294	412
Total	1,203	718	1,921

Source: Lithuanian Central Project Management Agency, 2018²³

2.

Achieved or expected results

Although the Action Plan is still being implemented, there is sufficient evidence available to enable an evaluation of progress. The implementation of the Action Plan has been also covered by the national and local media highlighting a number of challenges across different municipalities in Lithuania.

By the end of 2017, a total of 339 apartments had been completed and made available to new tenants. However, the overall progress of the Action Plan varies across the municipalities.

Whereas nearly 50% of all planned work was completed in one year in the municipality of Alytaus, in larger municipalities such as Vilnius, Kaunas and Klaipėdos, progress was significantly slower. As shown in Table 5, in the three largest municipalities, 55 out of 412 apartments (13%) were completed in Vilnius, 53 out of 378 (14%) in Kaunas and 30 out of 169 (18%) in Klaipėdos.

Table 5: N° of completed apartments, 2017-2018

Municipality	N° of apartments completed by end of		Completed vs planned (%)
	2017	2018	
Alytaus	47	52	49%
Kauno	53	73	19%
Klaipėdos	30	42	25%
Marijampolės	14	20	14%
Panevėžio	18	25	17%
Šiaulių	47	56	27%
Tauragės	18	22	22%
Telšių	26	31	24%
Utenos	31	36	27%
Vilniaus	55	82	20%
Total	339	439	23%

Source: Lithuanian Central Project Management Agency, 2018²⁴

By the end of 2018, as shown in Table 5, a further 100 apartments were delivered across different municipalities in Lithuania.

Although buying and renovating apartments in old multi-apartment buildings has been acknowledged

as the most cost-efficient way to provide social housing to a large number of people, the implementation of the Action Plan across different municipalities has revealed that this approach presents some limitations and challenges.

Finding suitable old apartments for renovation is the key challenge encountered during implementation. Social housing must be located close to public infrastructure. For example, it must be easily accessible by public transport and located close to schools. That means that suitable apartments are usually located in high demand areas and at higher than the average prices. This reality has resulted in delays, which has caused the final date of the project to be extended to 2023.

The majority of old multi-apartment buildings were built between 1961 and 1990²⁵. These buildings typically do not have sustainable management systems and they are energy inefficient due to poor insulation²⁶. The majority of these buildings have energy consumption levels of D, F and G. This becomes particularly problematic because it means that fewer apartments are likely to be offered with a minimum energy efficiency of class C based on the Action Plan objectives²⁷.

Furthermore, old multi-apartment buildings are not adapted for people with disabilities. A better option is to offer social housing in newly built multi-apartment buildings that provide access for disabled people and flats that are adapted to their needs²⁸.

Although new multi-apartment buildings have a number of advantages, the Lithuanian National Audit Office (NAO) has continued to question the decisions of some municipalities to build new buildings during recent visits. The NAO criticised, for example, the municipality of Klaipėda, arguing that renting social housing is not only cheaper, it is also a more efficient way to offer housing to a larger number of people²⁹.

3.

Perspectives and lessons learned

There was insufficient planning done prior to implementing the Action Plan. This was true at both central and local government level.

Decisions on what kinds of investments to focus on at municipal level were taken too late, at a time when implementation should already have been in full swing. This has resulted in a 3-year extension to the Action Plan delivery timetable. Indeed, the Head of the Social Security Projects Division at the Lithuanian Central Project Management Agency acknowledges that, from an implementation perspective, a cost-benefit analysis for the whole project was needed to determine optimal alternatives for investment before the project started. This was particularly necessary because the demand for apartments in old multi-apartment buildings in key areas is very high and their price fluctuates based on that demand.

The development of social housing in a particular area should be based on a thorough assessment of housing demand and requirements in that area.

Failure to carry out an assessment can result in the development of housing that does not deliver the benefits it was intended to. This is the view expressed by the National Audit Office (Valstybės kontrolė) in Lithuania in their assessment of issues experienced during the implementation of this measure. The Audit Office even provides an interesting example to emphasize the point.

Plungė District Municipality decided to reconstruct the building of the former school located in the village of Narvaišiai, in the municipality of Šėdeiai, to create 9 social housing units at a cost of EUR 405,900. There are 16 families with children on a waiting list to rent social housing, but there is no kindergarten or school in Narvaišiai village. Educational institutions are located 12 kilometres from the district centre. Individuals and families were not asked if they wanted to live in social housing in

the village. Once the building has been reconstructed to provide social housing, the municipality may find that no-one is willing to live there³⁰.

Some of the construction companies contracted by the municipalities do not have the appropriate capacity or skills to adequately deliver the work they are contracted to deliver.

This would appear to be a procurement issue. As a result, in some cases, additional time and resources were allocated to address quality issues. Overall however, the construction of new social housing thus far has been completed on time.

Energy efficient social housing is an important objective, particularly for vulnerable people.

However, according to the Head of Social Security Projects Division at the Lithuanian Central Project Management Agency, even less efficient social housing is beneficial. It helps to provide better social integration for vulnerable groups by removing negative stereotypes about people entitled to social housing. The type of less efficient housing mentioned in this case refers to apartments in old-multi-apartments buildings that do not meet the Action Plan's energy efficiency objectives (minimum of class C)³¹.

The Action Plan is not solving the issue of the growing demand for affordable housing.

The National Audit Office contends in its assessment report that the Action is not delivering or aiming to deliver enough social housing for the large number of people currently on the waiting list (over 33,000)³². From a government perspective, further measures and actions, such as programmes for labour market integration, are necessary to reduce a number of people on the waiting list and those who live in social housing at the moment³³.

4.

Conclusion and recommendations

Action Plan implementation is ongoing across different municipalities in Lithuania, although the speed of implementation and progress towards objectives varies from one municipality to another.

The majority of municipalities, except the capital city Vilnius, have prioritised buying and renovating apartments over building new multi-apartment buildings. This approach is based on cost-benefit analysis work that shows that the buy and renovate strategy is more effective and can deliver social housing in greater numbers. As the result, the total number of social housing units initially targeted by the Action Plan has increased from 1,150 to 1,921.

However, the implementation of the Action Plan shows that buying and renovating apartments is not straightforward. The demand for housing is high, particularly in areas that possess the infrastructure that families need (transport, schools, hospitals, etc.). In some cases, there are no suitable apartments available on the market. The construction of new multi-apartment buildings, on the other hand, tend to be delivered on time and overall new multi-apartment buildings are better suited for people with disabilities and meet the requirements for energy efficiency based on the Action Plan objectives.

The main weakness of the Action Plan is that there was no strategic plan for social housing development at the municipal level prior to the implementation phase. Although each municipality conducted a cost-benefit analysis at the initial stage of implementation to determine optimal alternatives for investment, there was no overall coherency in Action Plan implementation.

As a result, some municipalities are more behind schedule than others, especially in the case of larger municipalities such as Vilnius and Kaunas.

The main recommendation for any similar type of initiative in the future, both within Lithuania and

beyond, is to ensure that a strategic plan is adopted prior to implementation.

To improve the implementation of the Action Plan, **additional recommendations are also suggested:**

- Socio-economic assessments should be conducted to identify the need for social housing in specific areas and the type and location of housing that would satisfy demand. These assessments should form the basis for housing development plans;
- Strong emphasis should be placed on detailed planning prior to implementing this or any similar type of action plan;
- Implementation planning should be a priority at all operational levels before work begins. In the case of this measure, there should be a joined up, global strategy and implementation plan that guides and links strategy and implementation planning at municipal level;
- Implementation planning should establish management and evaluation criteria and mechanisms to enable a transparent assessment of the success and impact of the measure;
- Energy efficiency should be a priority in all new build and renovation projects and should be integral in project planning. It is not just preferable from an environmental perspective; it is also more cost-efficient in the long-term for both social housing owners and tenants;
- Improvements should be made to the construction contractor procurement process to ensure that all contractors used have the capacity and skills required to deliver their contract work.

Overall, the **Municipal Social Housing Development Action Plan is not considered to be a 'good practice' measure**, with a score of 2 stars, using a scale of 1 (low) to 5 (high) stars. Although the Action Plan is broadly on track to deliver its social housing unit targets in some municipalities, others are significantly behind schedule, and there is concern

that some municipalities will miss their targets, in spite of the 3-year extension deadline for implementation. In addition, there are important issues that have arisen during implementation which could have been avoided. There was a lack of planning at central and local government levels prior to implementation. There have been quality issues raised in relation to work carried out by some contractors, which points to problems in the procurement process. In addition, energy efficiency does not appear to have been a priority in all housing development work.

The MSHDAP is not considered to be a particularly transferable measure to other countries or regions, with a 2-star rating, using a scale of 1 (low) to 5 (high) stars. The reasons for this score are similar to those expressed above in relation to 'good practice'.

However, the lessons learned from the implementation of the MSHDAP may prove useful to policy-makers in other countries and regions when implementing social housing action plans. The MSHDAP experience demonstrates the need for effective planning and cost-benefit analysis prior to implementing a social housing action plan. Policy-making should aim to close the gap between supply and demand and energy efficiency should be an important feature in development plans. Consideration should be given to the location of social housing developments to ensure that there is an adequate infrastructure in place to support family life. In addition, procurement procedures should ensure that the contractors used have the appropriate skills and capacities to meet quality standards.

Endnotes

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- 5 Homelessness in Lithuanian, Nov 2016:
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