

# The Role of Self-government in Housing Development in Slovakia

*Local Government and Housing in Slovakia*

Jaroslava Zapletalova  
Magdalena Antalikova  
Eva Smatanova



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### 1. INTRODUCTION

As a result of the political changes of 1989, the whole system of economic and social policy of the State had to be changed as well. Since the principles of democracy had been laid down in the Constitution, the central system of planning and management of economic development had to be abolished and conditions for a market economy had to be established. The transition process reached all sectors of the economy as well as social sectors and also required changes in the institutional layout and a division of the responsibilities of public service. Principal steps of the transition process have already been undertaken, but the process has, nevertheless, not yet been completed.

*Table 6.1*

Main Indicators of Economic Development in Slovakia from 1993–2001

Indicator	1993	1994	1995	1996	1997	1998	1999	2000	2001
Index of GDP <sup>1</sup> 1989 = 100	79.4	83.3	88.9	94.4	100.3	104.4	106.3	108.6	112.2
Previous Year = 100	96.3	104.9	106.7	106.2	106.2	104.1	101.9	102.2	103.3
Industrial Production Index <sup>2</sup> 1989 = 100	62.5	66.8	72.3	74.1	75.3	77.9	75.6	82.6	86.5
Index of Employment from Previous Year = 1003	99.2	98.1	101.7	103.6	99.1	99.7	97.0	98.6	101.0
Unemployment Rate [%] <sup>3</sup>	12.7	13.7	13.1	11.3	11.8	12.5	16.2	18.6	19.2
Change of Real Wages in National Economy Per Year [%]	-3.9	3.2	4.0	7.1	6.6	2.7	-3.1	-4.9	0.8
Balance of Current Account/GDP [%] <sup>4</sup>	-4.4	4.6	3.6	-10.6	-6.6	-9.7	-5.0	-3.7	-8.8

*Table 6.1 (continued)*  
Main Indicators of Economic Development in Slovakia from 1993–2001

Indicator	1993	1994	1995	1996	1997	1998	1999	2000	2001
Inflation Rate [%] <sup>5</sup>	23.2	13.4	9.9	5.8	6.1	6.7	10.5	12.0	6.7
State Budget Balance/GDP [%]	-6.2	-5.2	-1.5	-4.2	-5.4	-2.6	-1.8	-3.1	-4.6
Average Interest Rate of Credits [%] <sup>6</sup>	14.4	14.6	13.3	13.4	18.4	19.4	16.9	11.8	9.4

- NOTES: 1) At constant prices.  
 2) In 1998 the methodology of measuring the industrial performance changed. There was a shift from measuring of goods production to the calculation of industrial production index.  
 3) According to the sample surveys of labor force, on average in a given period.  
 4) According to the NBS data on balance of payment.  
 5) According to the consumer prices, on average in a given period.  
 6) From the loans, taken from commercial banks, on average in a given period.

SOURCE: Study prepared by team of the Institute for Slovak and World's Economy (Ustav slovenskej a svetovej ekonomiky) of the Slovak Academy of Sciences, Chief Ivan Okalik.

## 2. HOUSING AND NATIONAL HOUSING POLICY DURING THE TRANSITION

### 2.1 Housing Development Before 1989

Prior to 1989, housing development used to be controlled on the State level and was mainly orientated towards the construction of new housing, to the detriment of maintenance and rehabilitation of the existing housing stock. The state housing policy was based on a political decision made by the Communist Party in the early 60s. In the late 60s, the control and management resulted in the system of the so-called Comprehensive Housing Construction (KVB) under which plans were set together with the provision of the corresponding investment funds from the central government level via Regional National Committees.<sup>1</sup> Self-governing authorities (at the level of towns and villages) lacked any decision-making powers and, thus, were unable to interfere with the process.

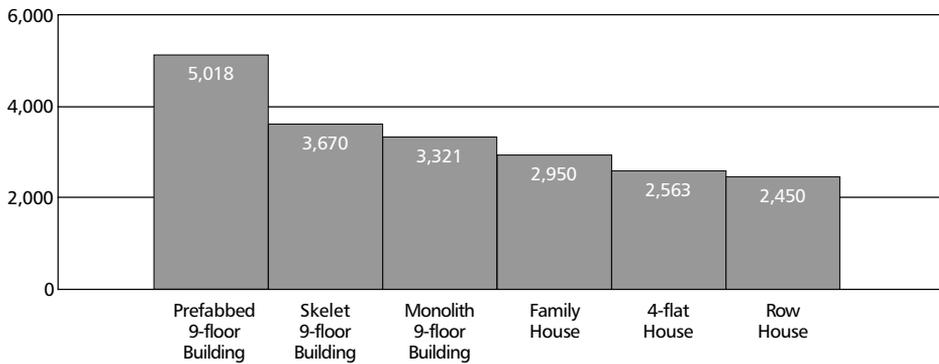
Between 1975–1989, as many as 97% of the multiple apartment buildings were constructed using the prefab technology; in this respect, Slovakia held the leading position among the Eastern European countries. Apartments built using this construction system made up almost 42% of the total housing stock in Slovakia in 1990. The consequences of this situation will present serious territorial and financial problems during the next 20–30 years. The prefab technology applied represented the most

costly technological method to construct housing, as suggested by the data shown in Figure 6.1.

There was a shortage of investment funds for the scheduled volumes and a decision was therefore made in 1958 to mobilize other resources for the purposes of housing construction. In 1959, the idea of construction of family houses supported by direct and indirect subsidies was reintroduced. Apart from that, the activities of housing cooperatives with combined financing were reintroduced as well. One-third of the construction costs were covered from a soft state loan at a 1% interest rate, one-third was covered from a direct state subsidy and one-third was paid by the cooperative member or user.

*Figure 6.1*

The Comparison of Housing Construction per m<sup>2</sup> (Prices in SK, 1990)



NOTE: Exchange rate in 1990 was around USD1=SK 28.00.

SOURCE: Slovakian Statistical Office.

The allocation of state rental housing was not based on social criteria (the allocation of state apartments was not connected with the social situation of the applicant).

Apart from the distortion of the economy and the investment process, the principles of the use of housing in the public rental sector had also been entirely distorted:

- Legal distortions arose from the legal protection of the tenant to the detriment of the owner (State);
- Price distortions arose from the price regulatory policy of the State and concerned rents and prices for housing-associated services, including payments for utilities.

The regulatory framework comprised a comprehensive set of regulations adopted in parallel in 1964, that influenced the management of state-owned apartments and payments for their use until the post-1990 transition changes.

Institutions of Housing Administration used to be state-run economic organizations whose management was linked to the state fiscal plan via the budget of the corresponding

National Committees (local “self-government” bodies) on all levels. Local National Committees had authority to establish such organizations for the purpose of administration provided that in the municipality of jurisdiction the stock of state-owned housing exceeded 12,000 m<sup>2</sup> gross floor area of housing. The whole process of use of state-owned housing stock was highly subsidized because of the regulation of rents. The rents were Slovakian crown (SK) 26/m<sup>2</sup>/year (USD 0.9 in 1990), representing about 17% of the actual cost-related rents. This remained valid without change from 1964 to 1992. State subsidies to state housing companies equaled SK 12.1 billion (USD 435 million) in 1990, or approximately SK 38,000 (USD 1,360) per unit and year. In spite of the high subsidies intended for operation and maintenance, delays in technical maintenance and rehabilitation kept growing. This suggests that public funds were spent in a substantially inefficient manner.

On the one hand, capped prices were applied, on the other, large subsidies were provided; both without accounting for the social situation of the end-consumer.

## 2.2 National Housing Policy Objectives and Legislative Changes

The political changes occurring after 1989 required principal adjustments and changes in the system of the domestic legislation. Also, the transition of the whole system of economy from a centrally controlled and planned system to a market economy was associated with the political changes. This required a number of legislative amendments and the adoption of new laws to support democratic rights and a free competitive environment for business. A new legal framework was being established for civil rights relationships (amendment to the Civil Code) and labor relationships (amendment to the Labor Code). The Commercial Code has become the basis for private business. As a matter of fact, the creation of the new legal environment is still ongoing.

In parallel, reform in the area of institutional provision of public service also appeared unavoidable, including central and municipal self-governments and their competencies. The reform was launched by the adoption of a new act (No. 369/1990 Coll. on Municipal System) that re-introduced independent local governments and defined a number of decision-making and executive competencies. What followed was Act No. 138/1991 Coll. on Municipal Property that set the conditions for property transfers from the State and other entities to the ownership of municipal governments. The housing stock owned by the State and administered by state housing companies was transferred, free of charge, to the ownership of municipalities. The property, thus obtained, was significant and highly indebted due to insufficient maintenance and rehabilitation. The volume was estimated at about the amount of the state budget for one year in 1991. Now the level of indebtedness is being estimated to be about SK 250,000 (USD 8,500) per housing unit.

### 2.2.1 Housing Policy Objectives

The new draft of housing policy strategy was developed as late as 1994 and was subsequently amended in 1995. Its validity was set through 2000. Detailed draft procedures of the reform at the same time had already been developed and approved by the Government Decree on Housing Policy Reform No. 297 (June 1991). The Decree included the following tasks:

- Change in the positions of the State, municipalities and citizens in the housing supply;
- Support for gradual development of a housing market and the housing itself through income, price, fiscal and social policies of the State;
- Reintroduction of the role of towns and villages (local government) in preparation and implementation of the municipal housing policy strategies that would set objectives, determine methods and procedures to meet the needs and requirements of the population with respect to the development of housing using instruments from the State level and involving private capital and business entities.

The Decree also contained deadlines for the fulfillment of specific tasks to be implemented during 1991, as well as procedures for legislative amendments during 1992–93. The State would keep the basic role of creating the necessary legal, economic and institutional environment and applying the corresponding tools to make the housing market emerge; the housing market has, above all, local dimension and the citizen must bear the responsibility for his/her own housing.

The particular goals of the housing policy reform of the State and self-governing authorities were as follows:

- 1) Abolishment of the Comprehensive Housing Construction system;
- 2) Elimination of regulatory measures that distort the competitive environment in the housing market, legal and price deregulation (in particular in the rental sector);
- 3) Privatization of housing stock and settlement of ownership rights with respect to apartments, including their registration (land-register);
- 4) Development and introduction of fiscal tools to enable people from of all income groups to find appropriate housing (accessibility of funds and tax concessions) aimed at the most efficient utilization of public funds as possible;
- 5) Protection of the socially underprivileged citizens (direct subsidies into construction of housing and/or direct subsidies paid to the citizens—housing allowance);
- 6) Making management and administration of housing stock more efficient.

In the majority of cases, the central authorities failed to fulfil the set tasks and this resulted in a significant depression of the construction of housing after 1991. There was

no quality improvement in the management of housing stock at the local level; we even are witnessing a strengthening of the local monopolies to the detriment of price and quality of services provided to the citizens.

A brief overview of goals and tools of the state housing policy strategies passed during the 1990s is provided in Table A6.1 of the Appendix.

### 2.2.2 Housing Legislation

The transformation process of the reform for the development of housing went on as follows:

*Central planning and the implementation of housing construction* under the Comprehensive Housing Construction system was discontinued by the Government Decree No. 60/1991. Works already in progress represented a value of approximately SK 22 billion (USD 750 million) in 1991. It was estimated that previously begun construction financed from public funds would be completed by 1996. Through the measure of October 15, 1992, the Minister of Finance abolished financial, credit and other assistance provided to the cooperative and individual construction of housing and upgrading of privately owned single-family homes.

*Elimination of distortions in the rental sector* was based on the civil law amendments. Enactment of the rental relationship by the Civil Code acted in favor of tenants and against owners (rental contracts could be terminated by court decision and substitute housing had to be provide in a majority of cases). Such discrepancies could only be eliminated by the amendment to the Civil Code adopted in 2001 under Act No. 261/2001 Coll. LL. (the deadline for this task was originally set as January 1, 1992). As already mentioned, it was the essence of the distortion of the investment process, i.e. construction and operation of investments, that was at the basis of the economic distortions of rents. The State still reserves the right to regulate the prices of rents, energies and services.

The process of *rent deregulation* in the Slovak Republic was non-systematic and unsatisfactory. The current maximum price of regulated rents (rent ceiling) enables the municipalities to finance maintenance and current repairs but no medium repairs and overhauls of houses, not to mention catching up with what had been previously neglected. This is a long-term serious political task that needs to be addressed. Any further delays will only make the situation in construction and operation of the housing stock worse, in particular concerning the rental sector, be it public or private. Apart from registered ownership and rental mechanisms, there also exists a “*black market*”. The owners of rental units rent their units or rooms on the black market without official registration. The tenants also rent part of the rental units without the notification of the owners. The rent prices on the black market are set based on the demand-supply

mechanism and they are significantly higher than the cap prices of regulated rent (their real value ranges around about 7% of the investment costs of new construction). Officially, free pricing of rents can be agreed upon for units constructed after 2000 without the contribution of state funds or in old dwellings vacated by former tenant households.

*Denationalization of housing stock* and adjustments of the relationship to apartment and land ownership have been among the most important transition changes; this was connected to substantial changes in tenure structure (Table 6.2).

*Table 6.2*  
Changes in Tenure Structure during the Transition

	[%]	
	1991	2000
Home-ownership	50.2	76.6
Dwellings Owned by Housing Cooperatives	22.1	15.7
Dwellings Owned by Municipalities	21.2	6.2
State-owned (State-owned Companies) Dwellings	6.5	1.5
	[Number]	
	1991	2000
Total Number of Permanently Occupied Apartments	1,617,828	1,884,846
Total Number of Vacant Apartments	151,000	209,316
Population of Slovakia	5,274,335	5,379,455

SOURCE: Census 1991, 2001, Ministry of Construction and Regional Development 2000.

Out of the total number of vacant apartments, 22% are used for recreation, 7% of the apartments register a change in use. It is official data, but the reality is likely to be much higher. Just 13.6% of them are ineligible for use and 45% are apartments that are vacant, but the reason why is unknown. According to last year's census, these are mainly apartments for which no census forms were returned, even though they are apartments registered in a properly functioning housing fund, are ready for use and whose upkeep must be paid for by somebody.

Significant changes in state ownership occurred during *restitution* based on the Act on Settlement of Property Related Injuries from 1948–1989 and the Act on Transfer of Ownership of Apartments. Denationalization of housing stock was materially addressed by the Act on Municipal Property based on which units administered by enterprises of housing management went, free of charge, from state ownership to the municipalities. A wide public discussion arose concerning the Act on Ownership of Apartments and

Non Residential Spaces, in force since September 1, 1993, that enabled the transfer of ownership of municipal and cooperative apartments to tenants and users of cooperative flats.

Compared to other CEE countries, the above mentioned *Act on the Transfer of Ownership of Apartments and Non Residential Spaces* can, after several amendments, be considered as being among the best. The Act meets the requirement that the transfer of the ownership of apartments within the existing housing stock, as well as purchases by citizens of apartments in newly constructed buildings, needs. The system is based on the ownership of apartments and joint ownership of the common parts and equipment of the building (the condominium form comparable to that existing in Western countries). The Act also includes definitions connected with the said principles. It requires that administration and operation of buildings be provided, for following the transfer of ownership, through establishing Homeowners' Associations as a legal entity or through administrators hired based on administration contracts. All owners are obliged to cover all costs connected with operation, repairs and maintenance of the common areas and equipment. They must pay each month to a "repair, maintenance and reconstruction fund", giving advance payment for all costs. The Act lays down the rights and the responsibilities of homeowners, relying on the principle of democracy in making decisions on significant matters that concern the common parts of the building (majority vote). Any owner who is not satisfied with the decision may refer the matter to the courts. Those regulations were shown in practice as very important.

The hitherto outcome in a majority of privatized buildings shows that the owners are capable of spending funds on maintenance and rehabilitation much more efficiently than was the case with the State via its administration companies. The position of the Homeowners' Association as a legal entity has enabled it to provide, without any problems, for external legal relationships with other entities (supplies of energies and provision of services) and to be able to raise loan funds faster to cover the costs of repairs and rehabilitation. The law lays down the lien on apartments and non-residential spaces in a house that is established to secure receivables concerning the building and its common parts. In this way, owners are protected against delinquents because this lien may be exercised via the courts (or on a fast track via payment order).

The wording of the Act, however, contains two basic non-systemic regulatory restrictions:

- 1) *Right to buy restriction.* The municipality is obliged to privatize the house if more than 50% of the tenants show an interest in purchasing their units.
- 2) *Price restriction.* The price per square meter of floor area of apartments or studios has been set by subtracting from the purchase price of the house the following items:<sup>2</sup>
  - state grant provided on a comparable cooperative unit, depending on the year the construction commenced;

- 2% and 0.5% for wear and tear for every year of the building's existence or its portion for apartments and studios, divided by the sum of the total floor area of all units and studios in the house. If the price of the house can not be established, it is determined by the Ministry of Finances of the Slovak Republic;
- With respect to transfers of ownership from State or municipalities to the ownership of the tenant, the owner is liable to grant the receiver at least a 30% discount on the determined price (a maximum 80% price discount allowed).

The municipalities were given the responsibility to collect the revenues from the sale of housing units and land in the special Municipal Housing Development Fund to be used for renewal and development of the housing stock and construction and renewal of municipal infrastructure. Decisions on spending from the Fund were to be made by the municipal council.

As a result of the measure mentioned above, the rental units recorded a significant shrinkage in numbers. Their tenants, however, were not differentiated by social criteria and could take advantage of the regulated rents irrespective of their own income. On the other hand, the municipalities were relieved of the significant maintenance debts for which they did not have and could not raise (because of the regulated rents) sufficient funds. As a matter of fact, the measures mentioned meant legal interference with the powers of municipalities to handle their property.

The above mentioned law will require amendment in the near future that will eliminate the aforementioned regulatory restrictions and to make it a generally applicable legal standard that will allow transfer of ownership of apartments under normal conditions of the housing market.

In connection with the legal protection of private ownership, *the operation of the land-register of real estate* was restarted on January 1, 1993. The land-register operates at local offices and authorities having subject-related jurisdiction. The land-register provides for the exercise of constitutional rights to own, sell and transfer ownership. It also fulfils a social and economic role since it provides information about the status of real estate in the Slovak Republic and participates in activities related to ownership, leasing and other property rights (records of easements). The Land Register Act has already been subjected to several amendments. In connection with the most recent decentralization, land-register departments that have been in operation since 1995, as part of the corresponding state administration under District Offices, became independent authorities as of January 1, 2002. This adjustment is expected to improve the situation with respect to entries into the land-register that previously took as many as 20–26 months to be made, in particular in larger towns.

## 2.3 Housing Finance

*Development and introduction of new fiscal tools* was necessary in order to replace the centrally controlled system of financing for construction and the renewal of housing stock. This is to be directed towards the creation of conditions for physical persons and legal entities to enable them to provide for their own or rental housing. The idea was to set up a new system of supporting instruments (loans, credits, tax relief, forms of guarantees, etc.) in order to make funds for housing accessible to all income groups of the population (including the introduction of a protection measure for the socially most underprivileged groups). The system, combining financial, tax and regulatory tools, was expected to provide incentives to the population, for-profit and not-for-profit entities to provide housing through co-financing from public and private funds, in a manner depending on the income. Because of their public nature, public funds were expected to be granted in a transparent and efficient manner. Targeted subsidies were also considered and were designed in the following way:

- Subsidies to address specific housing problems of some social groups (barrier-free units, construction of housing units in special houses for pensioners based on cooperation with municipalities);
- Grants to municipalities for constructing units for the socially disadvantaged as well as grants to other entities to resolve problems related to regional development. State support was to be granted preferentially to buildings meeting progressive requirements of operation (reduced energy demands, creation of residential environment).

The utilization of public funds (subsidies) requires public procurement, whose control is the responsibility of the Public Procurement Authority established two years ago. The Authority monitors the compliance with the Act on Public Procurement. However, justification of positions in the budgets submitted is not subject to control. According to the information received from developers, the whole process is mostly formal.

The measures originally suggested for the period of 1991–1992 were implemented as follows:

- *Construction savings scheme*: (implemented by Act No. 310/1992 Coll., as amended from time to time). The State is providing support in the form of a premium for all people saving money for the purpose of construction and/or renewal of housing stock. Act No. 242/1999 Coll.LL. enabled savings and extension of loans to legal entities as well (e.g. Homeowners' Associations) that, however, receive no state premium;
- *Housing Development Fund*: The State Housing Development Fund was established as late as in 1996 by Act No. 124/1996 Coll.LL. and amended by Act No.1/1997 Coll.LL. Due to the large number of applicants, it was amended

by Act No. 76/2000 Coll.LL. to be orientated more towards providing loans to municipalities, selected legal persons and middle income groups among inhabitants (physical persons).

The following can be granted from the Fund:

- Qualified loans up to a maximum 80% of the purchase/construction price with a maturity period up to 30 years and annual interest rate at the maximum level of the discount rate announced by the National Bank of Slovakia;
- Grants up to 50% of the purchase/construction price, or SK 50–1,000 (USD 1.20–24.10) per square meters, depending on the number of rooms in the apartment to applicants procuring barrier/less units;
- Coverage of a portion of the interests (interest subsidy) on loans extended by the construction savings bank.

The qualified loans are only granted for the construction of new apartments, purchase of newly constructed apartments, changes of houses whose construction is completed, construction of social service facilities, thermal insulation and elimination of static faults of houses. It also includes the completion of structures of technical facilities whose construction was not completed under the former system. In order to extend a loan the applicant must show evidence of the availability of his/her own funds amounting to at least 20% of the purchase/construction price (except for municipalities with respect to rental housing construction program). Further conditions are to respect the set limit of the floor area of the unit, set the limit on the household's income (maximum 3.5 times the subsistence minimum), demonstrate the ability to pay off the loans and secure the commitment.

Priorities for allocation of funds have been laid down by the Government Decree through defining housing development programs:

- Social housing program (for young individuals, construction of rental housing for individuals with severe disabilities, construction of social service facilities);
- Program on promotion of labor mobility;
- Program for renewal of apartment buildings.

Transformation of the State Housing Development Fund, with the Fund, means it's inclusion in the chapter of the Slovak Ministry of Construction and Regional Development is under way.

- *Re-introduction of mortgage loans*, including the institution of lien as the basis for mortgage loans (Act No. 21/1992 Coll. on Banks, as amended by Act No. 58/1996 Coll.LL., re-introduced mortgages; full text was published as Act No. 62/1996 Coll.LL.). Mortgage loans have not developed to the expected extent since there is not a sufficiently developed market in securities in Slovakia that

would create preconditions for the raising of long-term funds through selling mortgage bonds and only a small layer of applicants meet the requirements of loan extension (problem of collateralization). The granting of bank guarantees on loans for housing construction was launched in 1999 under the housing development support program. The guarantees are provided by the Slovak Guarantees Bank, a state monetary institution established by Government Decree No. 673. The current government is supporting access to mortgages through subsidizing interest rates to citizens since 1998. Subsidizing is set each year in the State Budget Act and it can be changed annually.<sup>3</sup>

- *Earmarking yields of sales of apartments and non-residential spaces for housing development.* The rules were contained in Act No. 182/1993 Coll.LL. that imposed upon municipalities the responsibility to generate the Municipal Housing Development Fund that would be used mainly to renew and develop housing stock and to construct and renew municipal infrastructure; the fund was mostly used by the municipalities for one-time infrastructure construction projects.
- *Application of support programs* for the development of housing including new rental social housing construction. The present Government approved housing development support programs as late as in 1999. The programs also included rules for the granting of subsidies for the construction of lower-standard rental housing, thus enabling the municipalities to construct rental housing for socially underprivileged groups of the population and for the maladjusted.

Grants may be provided by the State to municipalities for the construction and completion of rental housing under construction, renewal of historically valuable apartment houses with apartments in towns or villages that are on the UNESCO list of world cultural heritage, reconstruction of non-residential structures into rental apartment houses. Conditions on application for the subsidy are as follows:

- The units will be leased to tenants whose monthly income (including that of persons who are assessed together) does not exceed three times the subsistence minimum;
- Rental contract will be made for a specified period of time not exceeding three years (or ten years for tenants with health disabilities);
- The rental contract will provide the tenant the right to renew the rental contract provided that the conditions mentioned in the rental contract are met;
- The floor area of the apartment will not exceed the set standard (studio 35 m<sup>2</sup>, single room apartment 40 m<sup>2</sup>, one-bedroom apartment 56 m<sup>2</sup>, two-bedroom apartment 80 m<sup>2</sup>);
- The average costs per one m<sup>2</sup> of floor area of the apartment does not exceed the set limits (max. SK 18,800 (USD 455)/m<sup>2</sup> for new construction; SK 14,100 (USD 340)/m<sup>2</sup> for units reconstructed from non-residential spaces).

The amount of the subsidy for the construction of new and the completion of construction of rental housing already under construction, depends on the average costs of acquisition per m<sup>2</sup> floor area of the apartment (Table 6.3).

For renewal of historically valuable apartment houses, the Ministry may extend subsidies to cover up to 80% of the purchase costs of the construction. To construct units of different standards for individuals in material need in Roma (Gypsy) settlements, the Ministry may adjust the amount of the subsidy to reach as much as 80% of the purchase costs.

The set conditions principally differ from the allocation system of rental housing prevailing prior to 1989 that did not account for the social situation of the tenant. However, the situation that may occur during the use of the apartment if the income of the tenant increases, is still not addressed (e.g. the option to adjust the rents or to move out of the unit, the way the income is to be tested, whether rental agreements should be made for an unspecified period of time, etc.).

*Table 6.3*  
State Subsidies on Rental Housing Construction

	<b>The Subsidy May Cover a Maximum of:</b>
Up to SK 16,500 (USD 405)/m <sup>2</sup> (SK 11,800 (USD 285)/m <sup>2</sup> for Reconstructed Structures)	50% of total costs
Between SK 16,501–17,700 (USD 405–427)/m <sup>2</sup> (SK 11.800–12.800 (USD 285–310)/m <sup>2</sup> for Reconstructed Units)	40% of total costs
Between SK 17,701–18,800 (USD 427–455)/m <sup>2</sup> (SK 12,800–14,100 (USD 310–340)/m <sup>2</sup> for Reconstructed Units)	30% of total costs

In apartments constructed with state subsidy, rents may reach a maximum of 5% of the purchasing (construction) price. Preliminary calculation of rents suggests that the rents in such units may be substantially higher than the current level of regulated rents for municipal housing. The rent for an old average rental unit, with a floor area of 65 m<sup>2</sup>, represents SK 852.8 (USD 17.8)/month. The rent may range between SK 850–2,950 (USD 17.8–61.5)/month in newly constructed rental apartments financed by the municipality's own funds. If the municipality uses loans from the Fund and state subsidy, the amounts oscillate around SK 4,225 (USD 88)/month (the rent including interest on the loan and repayment of the principal). If the municipality does not apply the permitted maximum limit for rent, it will have to make long-term contributions toward the repayment of loans directly from the municipal budget, this prevents it from replacing rental housing stock and generating sufficient funds for renewal.

## 2.4 Protection of the Socially Underprivileged

Despite the fact that a major portion of the housing needs modernization, it has been transferred to the citizen. At the same time, some support mechanisms have been created in order to allow the citizen to satisfy this need (e.g. construction savings system with state bonus, mortgage loans with bonus on interest rate, etc.). Some housing needs still need to be satisfied in another (combined) way. “Another” way is connected with the inevitability to engage the mainly communal sphere, or public-private activities, in the area of housing and apartment construction. Such a way of engaging is necessary, since there will still be a whole range of reasons for the existence of public rental housing sector inhabited by a socially weaker groups of citizens.

The necessity to deal with issues of rental and mainly social rental housing is based in the Slovak social reality. It is characterized by the fact that the difference between citizens’ income and prices for apartments is growing and, in some places, a lack of apartments is obvious. The number of citizens in housing need is growing too (homeless, citizens in material distress, Roma settlements). Homelessness is not legally defined, so its registration is not sufficient either and support measures are being applied only on a voluntary basis (not-for-profit organizations) and by individual activities of particular local governments.

The number of citizens in material distress has been growing since 1996. In 2000, this group contained 613,000 of people, i.e. 11.3% of the total population. Regional differences in income and categories of unemployed started to increase, while differences in social allowances and regulated rent payment have not yet been introduced. As far as differences in wages are concerned, Table 6.4 presents the distribution of districts according to the district average incomes.

*Table 6.4*  
Regional Income Distribution

Average Monthly Income [SK]	15,000 and More	13,000–14,999	11,732–12,999	10,000–11,731	8,000–9,999	7,999 and Less
Number of Districts	4	3	4	30	36	2

NOTE: National average income in 2001 was SK 11,732 (USD 252.3).

SOURCE: Statistical Office of the Slovak Republic: Selected Data on Regions in the Slovak Republic—year 2001.

The above-mentioned implies that the average income per person in 86.0% of the districts is lower than the level of the national average income. These data provide

signals of significant regional disparities in Slovakia, as the introduced indicator is only based on persons who are employed.

*Table 6.5*  
Regional Inequalities in Unemployment

Average Rate of Unemployment	30% and More	25.0–29.9%	19.2–24.9%	15.0–19.1%	10.0–14.9%	Below 9.9%
Number of Districts	7	16	21	18	8	9

NOTE: National average rate of unemployment was 19.2%.

SOURCE: Statistical Office of the Slovak Republic: Selected Data on Regions in the Slovak Republic—year 2001.

The protection of socially underprivileged (low-income households, unemployed) has basically two forms: financial subsidies for construction of housing (see above) and/or direct subsidies paid to citizens (housing allowances). The legal provision for the protection of the socially underprivileged, through the introduction of social care benefits paid to individuals when the coverage of the costs of housing would prevent them from satisfying other personal needs at a socially recognized minimum standard, was previewed in 1991. Housing allowances were established by Act No. 300/1999 Coll.LL. Both tenants and homeowners (including owners of family houses) may claim the allowance.

The eligibility criteria are as follows:

- 1) The apartment, rental apartment or single-family house is used by a person who applies for the allowance and whose registered domicile is in the respective apartment located in the territory of the Slovak Republic;
- 2) Rents or contributions to the maintenance and repair fund and payments for utilities and services connected with the use of the apartment have been settled for the calendar half-year that precedes the calendar year in which the allowance is applied for;
- 3) In the case of home-ownership, the property tax has been paid for the calendar year that precedes the calendar half-year in which the allowance is applied for;
- 4) The product of the coefficient of share on income (normative rate of burden) and household income is lower than the amount of minimum expenditures on housing.

The monthly amount of housing allowance represents the difference between the amount of minimum expenditures on housing and the product of the coefficient and income. The calculation formula for housing allowance is, as follows:

$$HA = MEH. (R \times Y)$$

Where: *HA* = housing allowance;  
*MEH* = minimum expenditures on housing;  
*Y* = household income (income of persons assessed together);  
*R* = normative rate of burden.

At the time of its first introduction in 2000, the normative rate of burden *R* was set at 0.3 and then was subsequently reduced to 0.29. The following amounts have been set as the minimum expenditures on housing:

Since 2000	Since July, 2001
• SK 1,410.00 (USD 33.9)	SK 1,680.00 (USD 36,1) monthly for a single person;
• SK 1,759.00 (USD 42.3)	SK 2,090.00 (USD 44.9) monthly for two persons;
• SK 2,090.00 (USD 50.3)	SK 2,490.00 (USD 53.6) monthly for three persons;
• SK 2,430.00 (USD 58.4)	SK 2,900.00 (USD 62.4) monthly for four or more persons.

At the time of the introduction (January 1, 2000) the Slovak Ministry of Labor, Welfare and Family insisted that the maximum participation of potential allowance recipients would be calculated; this amounted to 380,000 families, with SK 1.6 billion (USD 38,370,000) being allocated. However, only 48,000 families were receiving the allowance after the first half-year after its introduction (currently, the number of recipients amounts to about 60,000). There are several reasons for this development. Recipients may receive the allowance only when rent and utilities have been paid for the preceding six months and this may present serious problems to families in a severe enough situation that they badly need the allowance. Municipalities were not ready to deal with delinquency issues in more detail, resulting in a gradual reduction of the accessibility of the allowance to enable these groups to live in an adequate unit. Households at the bottom limit of the allowance (SK 50 or USD 1.20) represented another problematic group: the costs of all the necessary documents to be presented amounted to SK 500 (USD 12.0), so that it was not worth it for that group to apply for the allowance. The number of participating families grew by 20,000 after the first adjustment of the allowance in the second half of 2001. It should be stated at the same time that the information campaign was a one-time event and many households did not even receive information about the existence of this state social benefit granted through social departments of district offices without sufficient feedback control of the application.

## 2.5 Efficiency of Housing Stock Management and Administration

The transformation in this area has not yet been completed; this concerns the whole investment process of housing construction and operation. So far, the state-owned housing

companies were transferred to municipalities. Their legal status had to be transformed as of January 1, 1993, to turn them into municipal contributory organizations or commercial companies. The goal was to make administration/management of rents more efficient and provide better transparency of financing operation. Only occasionally, municipalities perform the necessary controls of financial flows generated from rents. The transparency of the management of rental funds remains rather problematic. Administration organizations perform their activities based on small trade licenses that are not linked to the necessary qualification.

With respect to social protection, the citizens have the right to receive assistance in providing for shelter (UNO Social Charter that is part of the legal system of the Slovak Republic). On the other hand, however, there is a necessity for a competitive environment in the presence of the free market. The issue of economic efficiency, in particular with respect to the management and utilization of public funds, remains open when it comes to the necessary protection of the socially underprivileged. No principle beneficial to the public has been defined and legally addressed in the area of municipal housing. It concerns the whole process of participation of public funds in housing development, in construction, operation and renewal of housing stock for the selected groups of population that need direct assistance.

This applies, above all, to issues of the legal forms of investment and administration companies and the associated management of those institutions (profit tax levies-related liabilities replaced by the obligation to apply the profits on specified activities, efficient utilization of funds, pre-determined limits on wages as is the case with not-for-profit organizations, etc.). No legal regulation has been drafted and adopted yet concerning social housing (its quality standard and the definition of the user of this type of housing, specification of the contractual relationship—time limits, possibility to terminate). The law does not exist for institutions that would provide for the construction and operation of rental stock on a non-profit principle similarly as in developed countries (housing associations and housing cooperatives).

Also linked to the problem of management and administration is the position and the role of housing cooperatives with respect to the development and operation of the housing stock. The Transformation Act No. 42/1992 Coll. on the Adjustment of Ownership Relationships and on the Settlement of Ownership Claims in Cooperatives was expected to provide the property settlement in cooperatives (this was applied in agricultural cooperatives). For housing cooperatives, the Act required them to bring their legal status into accordance with the conditions laid down in the Commercial Code, within 12 months, with subsequent dissolution if the deadline was not met. Also, the law enabled ownership of cooperative units to be transferred to the user within six months of the tenant requesting so. The status of cooperatives in our legal system has not yet been resolved. However, the management in such cooperatives has not been regulated. In other countries, the principle of management by not-for-profit institutions is clearly applied.

When it comes to the sector of organizations that provide the administration and operation, also private business entities, small trade licensees, commercial companies, limited liability companies as well as shareholding companies gradually start to find their way. Such companies are established also by private persons in accordance with the Commercial Code for the purpose of doing this kind of business. Gradually, the quality of the services provided by some of them exceeds that of transformed housing organizations whose activities in many cases are limited to accounting without any systemic preparation and implementation of maintenance and renewal of the housing stock. Among the huge shortcomings on the part of the administrators, we should mention inadequate efforts aimed at collecting arrears and seeking solutions to resolve the problem in cooperation with the municipality, while distinguishing between social and other cases. There is almost no administration management that would deal with the assessment of the utilization of the old housing stock, evaluation of the technical condition of buildings and suggestions for renewal procedures. Those include the raising of funds for renewal; that would work with the owners and provide alternative procedures for the benefit of the owners and individuals/users.

It is evident that the goal of the State to provide legal, financial and social tools to set up a new model of housing development in conditions of market economy has been fulfilled rather slowly and unsatisfactorily. The setting up of new tools and practices faces internal and external problems: problematic political stability; low level of solvency of the population connected with the overall low economic strength of the society; problems with privatization strongly influenced by political interests; incomplete transformation of business entities as a result of unclear economic and fiscal policies and historical and cultural development (the lack of the spiritual readiness of individuals to respect the new economic system and its rules).

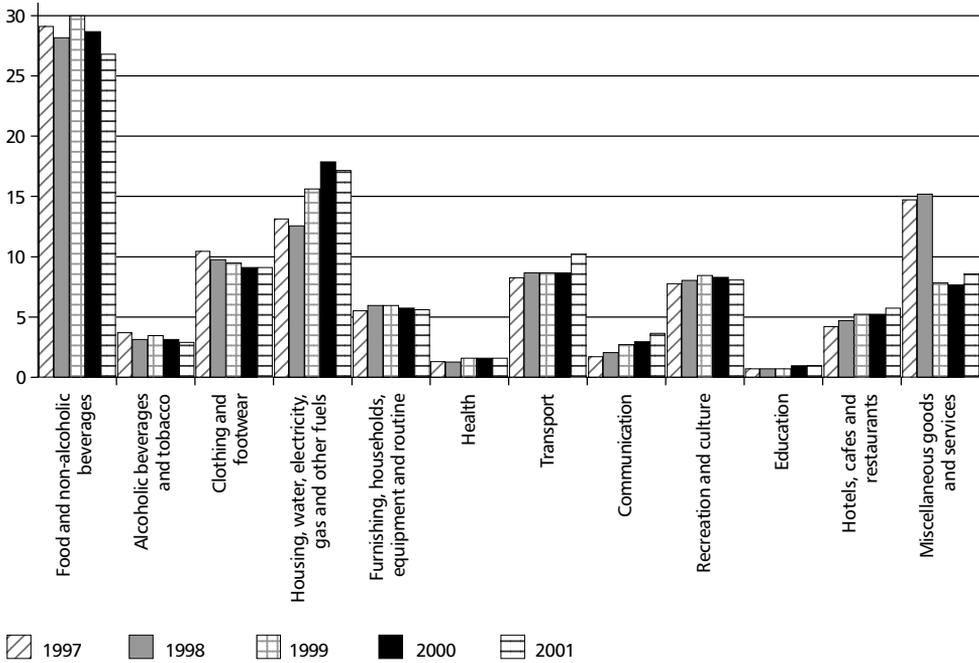
The consumption basket has been relatively well stabilized, although it was specifically housing that was subject to the most significant changes in the past two years due to price adjustments.

As can be seen from Figure 6.2, the costs of housing and services connected with housing keep increasing, in particular, due to price adjustments with respect to services and energies. There is, therefore, only a small maneuvering space left within the investment rehabilitation process for increases in rents and making them more realistic.

The housing allowance that is in place has not been of too much assistance in this respect. It has not been sufficiently harmonized with the other social benefits. This provision blocked the way of distributing the allowance to the socially needy who have serious trouble coping with the basic costs of subsistence.

On the part of the State, creation of conditions should be completed to protect the socially underprivileged groups. This will require their definition and the setting of housing standards for the whole rental sector (not only for new construction).

Figure 6.2  
The Development in Household Expenditure Structure (1997–2002)  
[In % From Total of Expenditures]

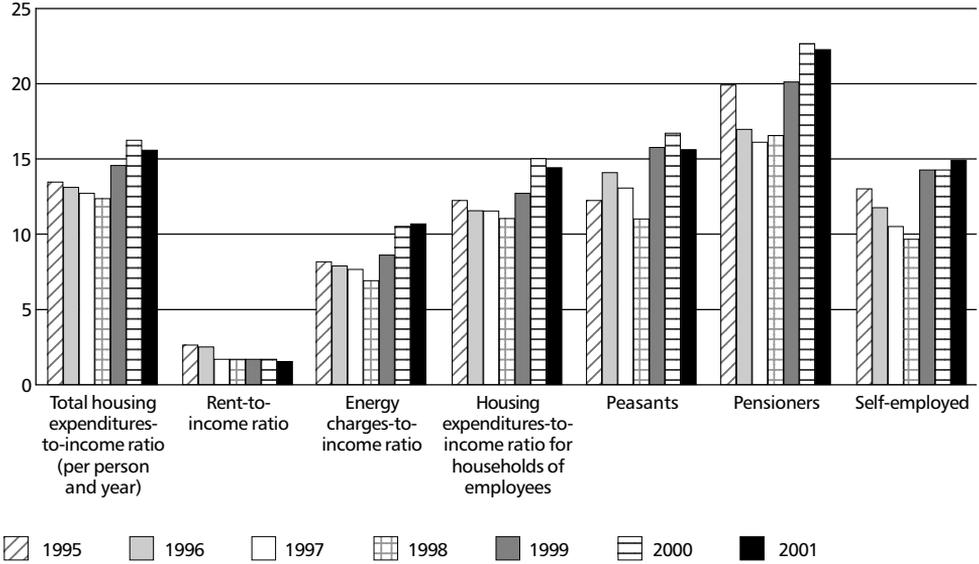


SOURCE: Statistical Office of Slovak Republic: Structure, income and expenditures of private households SR per year 2001.

It is rather difficult to create preconditions in Slovakia, based on which a certain model could work; not even ideas concerning the actual shape of a model are clear so far. Unfortunately, there is a lack of professional discussions to clarify those problems and solutions are often slow, non-systemic and subject to unilateral political interests (the present government of Slovakia is the 6<sup>th</sup> one in the last decade). The situation is becoming even more complicated due to decentralization that is met mainly with the disinterest of state administration staff.

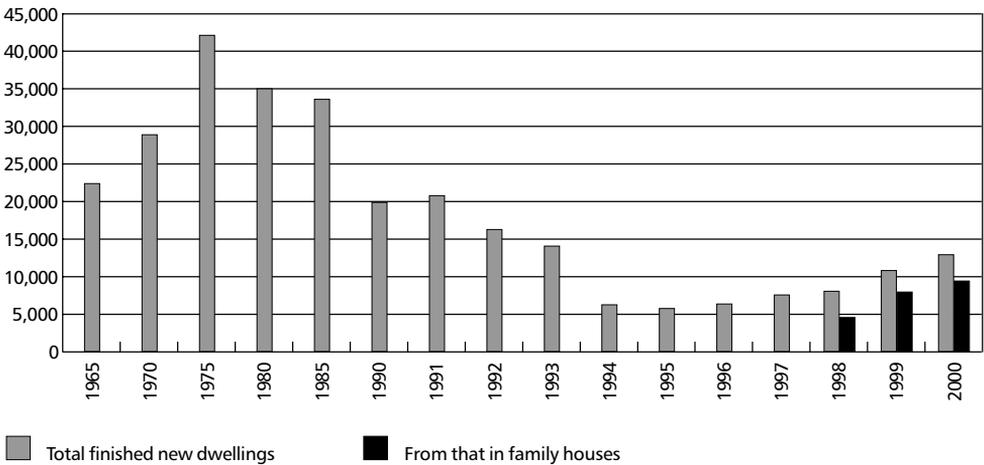
The slow changes in the legislation and the setting up of tools have resulted in a reduction of housing construction; this caused a continuing excess of demand over supply in a housing market that takes a long time to become balanced. In addition, developers are not willing to respond by providing supplies of a sufficiently wide range (quality and price differentiation). There is no supply of small and cheap housing.

*Figure 6.3*  
 The Development in the Structure of Relative Housing Expenditures  
 [In % from Total Household Income]



SOURCE: Statistical Office of Slovak Republic: Structure, income and expenditures of private households in the Slovakian Republic per year, 2001.

*Figure 6.4*  
 Total Finished Housing Construction (1965–2000)



SOURCE: Statistical Office of Slovak Republic: Statistical Yearbooks of the Slovak Republic.

The setting up of the rental sector for low-income groups of the population started based on subsidy programs, as late as 2000. The old rental sector owned by municipalities lacks the definition of the conditions related to its use (the tenants pay State-regulated rents that do not even cover the costs incurred by the care of the property). When it comes to the quality of housing and its improvement, the situation changes rather slowly since the social situation becomes strongly polarized. There are increasing numbers of households that can afford a high standard of quality housing on the one hand. On the other hand, however, the social situation worsens (in particular, in the eastern part of Slovakia and for some groups of population such as pensioners and young families with children), so that there is an increasing number of households in unwanted co-existence and the delinquency in the rental housing stock is increasing.

### 3. EFFICIENCY AND EFFECTIVENESS OF LOCAL GOVERNMENT HOUSING POLICIES

Authorities of the local and regional self-governments are based on the Constitutional Law (a municipality forms basis of local self-government), the Act 369/1990 on Municipal Constitution and the Act 302/2001 on Regional Self-Government. Municipal obligations can only be stipulated in the Acts.

Based on the Act on Municipal Constitution and the Act on Regional Self-Government, municipalities and regions gained legal status and became self-administered territorial units managing their own property and receipts. Citizens take part in decision-making through their elected representatives in municipal and regional structures or via direct voting (referendum on local level).

Municipalities and regions are independent territorial self-government and executive bodies in Slovakia. There are 2,884 independent, self-administered local government units (since 1990) and 8 regions (since January 2002). State administration offices are in 8 regions and 79 districts (decentralization of state administration was realized in 1995).

The settlement of Slovakia is marked with a high proportion of municipalities where the number of inhabitants exceeds 5,000 (95.7%). The town statute has 137 of them. There are only two towns in the category of municipalities exceeding 100,000 of inhabitants: Bratislava (number of permanent residents based on Census 2001 was 428,672) and Kosice (number of permanent residents based on Census 2001 was 236,093).

Almost half of the citizens live in municipalities with up to 5,000 inhabitants (46.1%). The average number of inhabitants per one municipality based on Census 2001 was 1.87, whereas 23% of the inhabitants lived in municipalities with over 50,000 inhabitants.

Jurisdiction of municipality means a set of rights and obligations in the broadest sense of the word, implied by the legal order, with the aim of fulfilling tasks. Those are performed within a certain territory and they concern a particular area of social relationships. A municipality has double jurisdiction; so called independent and transferred. In the first area, municipality is responsible for performance of activities in its own name and own responsibility, while the other one is related to performance of public administration activities “transferred” to municipalities from the State based on various individual legal regulations.

As a part of municipality independent jurisdiction, it is possible to differentiate between the obligatory and optional tasks. Both types of tasks form a typical element of municipal self-government, since municipality, in the first case, has a legal obligation to facilitate certain tasks and activities, while in the second case, it is up to the municipality to decide, whether or not to perform certain activities.

*Table 6.6*  
The Size of Municipalities According to the Population

Size of Municipality	Number of Municipalities (Based on Census 2001)	[%]	Number of Inhabitants (Based on Census 2001)	[%]
Up to 5,000	2,759	95.7	2,481,564	46.1
5–10,000	52	1.8	360,156	6.7
10–20,000	32	1.1	446,208	8.3
20–50,000	29	1.0	850,194	15.8
50–100,000	9	0.3	575,768	10.7
100,000 and more	2	0.1	664,765	12.4
Total	2,883	100.0	5,379,455	100.0

SOURCE: Statistical Office of Slovak Republic: Statistical Yearbooks of the Slovak Republic.

Current reform of public administration is related to fiscal decentralization, with steps planned until the year 2004. As a part of this reform, stabilization of financing rules, including budget determination of shared taxes, should be completed. Next to these resources, activities of self-government are financed from subsidies and municipal tax income (real-estate tax).

Former financial management of municipalities has been very tense. Municipalities have a critical attitude to subsidies granted from the state budget. Moreover, former distribution of shared taxes is also a target of criticism (municipalities obtain only 6.7% to 6.9% from total tax income). Unfavorable development has been frequently overcome

by raising loans and emission of municipal bonds that formed approximately 25% of annual municipal income. Municipalities probably will not be able to manage a balanced budget. Amount of debt service is, however, a problematic issue and, therefore, some limitations are being planned as a part of fiscal decentralization (there are no limits now). Municipalities are not able to economize with their receipts generated by commercial activities and property. Instead of their capitalization with perspective of future profit, they tend to use it for coverage of current expenses, in extreme situations—they sell it. Such development could be very problematic and may cause financial crisis in some municipal budgets. The situation in individual municipalities is, however, different and it is difficult to generalize.

As a result of former procedures, self-governments record the long-term excessive needs in social and economic spheres including improved environmental conditions compared to the capacity of municipal budgets. Present legislation does not require information on financial resources for implementation of plans as part of physical planning documentation (on all levels). Municipalities have not yet learned how to relate proposed development with financial capacity (internal and external ones). No analysis is being processed concerning the return on investment and losses (feasibility study) for individual investment plans. Municipality staff admit that 90% of their activities are related to daily operational tasks instead of processing long-term prospects and their mutual relations. Management approach is lacking. The use of new information techniques is, therefore, very random. As a result, fiscal decentralization proposals involve criteria for adoption of financing resources, guaranteeing returns for self-governing bodies.

The municipal budget financing system is based on shared income on public finance, which is governed by the Act passed each year. This does not offer sufficient room for long-term planning. The gradual decrease of the share of municipal resources is observed. It is related to the former ineffective financial management with its own property, with insufficient knowledge of management practices, inadequate preparation of elected political representatives for the important role of transferred responsibility based on delegated decision-making powers and many other insufficiencies in the practice of municipal bodies. The financial status of local budgets proves that municipalities will have to learn to cooperate with the private sector while fulfilling development goals and earn the necessary support of civil and political organizations. The largest towns are fighting problems with financial management due to high indebtedness (Kosice town has been striving with bankruptcy for two years now, while Banska Bystrica cannot access budget resources without the bank's consent). The situation in budget financing system did not give municipalities a chance during the last ten years to invest into construction of own rental sector of housing.

### 3.1 Local Housing Policy Strategies and Objectives

The Act on Municipal Constitution stipulates, among other rights and obligations, the following two, which are very significant for housing development:

- Section 4., Part c) to develop and approve physical planning documentation of residential forms, zones and conceptions of development for individual parts of municipal life;
- Section 4., Part f) to facilitate public services.

The Act on Municipal Constitution implies, as mentioned above, that in performance of self-administering activities, the municipality develops and approves physical planning documentation of residential forms and zones, as well as strategy on the development of individual parts of municipal life. It means partial policies for individual fields of development (e.g. land, property, housing policy, etc.). Furthermore, the Act stipulates that municipal representatives “make decisions about the basic issues of municipal life”.

A current tool for coordination of housing construction on the municipal level is the Construction Act 50/1973 Coll., as amended. In order to facilitate a high quality environment and further development of the territory in harmony with plans at all levels, the municipality may apply regulations on interference with the territory as well as correct intentions and forms of investment policy and individual constructions, including housing construction. Technical operational regulations form one of the means for spatial (not yet a legally binding form) and zonal planning. Especially in the municipality and region, they can significantly influence the development of citizens’ standard of living (quality of environment, conditions for static transport, job opportunities, accessibility of services, etc.). Application of regulations is not only related to future interference (new investments), but also to facilitate the necessary quality of municipal operation (they can coordinate the present system of municipal operation). At the same time, they can influence renovation of individual buildings. It can take various forms:

- Stipulation of technical parameters for construction (limitation of noise level, lighting, limitations on height and on reconstruction—superstructures, etc.);
- Regulations for operation (partial or complete limitation of transport, time and spatial restrictions on parking, the obligation of underground garage construction, etc.);
- Regulations applied on property owners’ obligations (the obligation to maintain and paint house facades with certain frequency, maintenance of building surroundings, prohibition of domestic animal breeding in central areas, etc.);
- Regulation of functions within the territory (limitations on types of construction—production, housing, multi-use construction, etc., but also a change

in functions as part of renovation and reconstruction, e.g. maintaining the portion of housing in central areas, forming conditions for parking within the building, preservation of retail shops in certain areas, etc.).

This system is applied, and permanently used, only in several municipalities. In general, the development and operation of the whole municipality is not really directed. It is reflected also in new constructions of housing realized during the last several years. New housing was organized, realized and sold by private constructors after finishing.

As a part of the planning process and development of local housing policy in the municipality, it is inevitable to deduce the overall need for housing from the municipal point of view. Such calculation means a typical irreplaceable input for the whole process of housing development preparation and forms one of the basic pillars of municipal physical planning. Regarding the fact that municipalities have not created necessary database, they lack even the most basic information.

*Box 6.1*  
Housing Need in Trnava Municipality

*Based on a particular example of cooperation with the Trnava municipality, the Housing Institute, with the financial support of Know-how Fund, produced a general proposal of procedure for municipal housing policy development. Its application on the particular example of Trnava municipality showed, first of all, a lack of concentrated information, dissolved and incomplete character of database as well as its insufficient interrelation (District Office retains construction permission and certificates of delivery; municipality registers apartment and house owners due to its link with the real estate tax; the Regional Statistical Office performs registration and prognosis on status of inhabitants lacking information on households, etc.) Based on accessible information evaluated and compared with currently valid physical planning documentation, a significant difference in expected housing needs appeared. Central planning documentation counts with growth of municipality and the need for further construction of approximately 4,000 apartments by 2010 and the calculation based on demographic development together with potential of present housing stock stipulated a need for housing construction to 1,600. The main component was elimination of unwanted coexistence of households and not citizens' growth, which had crucial impact on housing needs.*

Currently, the municipalities have at their disposal more or less actual physical plans and, in better cases, the zonal plans defining areas for housing and other functions. They lack mainly:

- Information about current status of housing fund;
- Marketing about housing needs (sort of housing, relations of prices, quality);
- Lists of eligible candidates for social housing;
- Housing policy strategy.

However, as a part of planning, the municipality should respond to relatively rapidly changing conditions with a far more flexible approach, in order to assist the balance between supply and demand. Through regulatory (physical and functional regulations) and motivational tools (especially tax-relieves, co-financing) it should try mainly to initiate the increase in housing quality (regeneration of the housing stock). This approach can enhance investors' interest, increase employment and facilitate income for their citizens.

Municipal functions in the housing area are very diverse. The municipality as such is a beneficiary of the state housing policy, since some tools and legal standards rely on authority and activity of municipality. The municipality is, and always will remain, a social economic entity and thus it is not expected that it would treat its citizens in a market manner. Housing development and its increased quality is related, in any case, to local economic and social status of inhabitants and with gradual urbanization and investment development in various municipalities and regions (transport accessibility, school system, health system, job opportunities, etc.). As a part of housing development, the municipality can undertake two tasks: to help housing development (determination of the territory in the Physical Planning Documentation and details in zonal planning) and to facilitate directly or through other entities (especially NGOs) adequate housing for protected and lower income groups. These tasks can only be performed through their own initiative as part of independent initiatives. In fact, it has been possible only since 2001, since the governmental program for local rental housing was approved in 1999.

The need to facilitate adequate housing has recently become a subject of negotiations between outstanding international institutions such as UN, EU, WHO and others. At the same time they are reflected in clearly formulated tasks included in approved documents, fulfillment of which is directly related to municipal self-government. The majority of municipalities do not admit their responsibility for housing development, since the Act on Municipal Constitution does not impose it as an obligation. The preparation of the strategy on municipal housing development, therefore, can be understood as an optional task. Municipality inevitably needs it as a prerequisite for housing market development on its territory, especially in relation to the significance of housing for citizens' life and overall quality of living conditions. Otherwise, the development is not an organized process based on processed analysis and conclusions. The fact is that there are already a number of new apartments vacant for a long time, which are very difficult to sell (due to the incorrect municipal management and in-sufficient marketing policy of constructors).

The role of municipality is not the one of providing housing for all inhabitants, but creating conditions for housing development within the frame of overall territorial development and in cooperation with central government assists those, who are not able to find suitable housing on the market. Municipalities should be interested in

occupation (use) of their dwellings, since they may significantly decrease calculation of needs for new housing construction and investment into technical infrastructure for new plots. People living in “black market” rented apartments actually have no legal relationship to that apartment and their permanent residence is registered with another household or in another place.

Any capital invested into the construction should always bring returns plus profit; otherwise, it cannot be beneficial and must be compensated for in some way (through a subsidy or its own consumption). Thus, a municipality must take the initiative to influence the offer of a housing market, so that it responds to a broad spectrum of differentiated qualities and price due to demand, which is dependent upon the income capacity of the citizens. Such a closed circle is directly related to the purpose of the municipalities’ independent activities, which is based mainly on provision of balanced economic, social and cultural development of the municipality as a whole.

The role of the public sector based on social solidarity starts when the housing market fails and a citizen is not able to afford adequate housing. Its functioning is based on certain limitations (maximum effectiveness of the public source use, regulation of investment costs in relation to stipulation of adequate quality standard). As a part of the housing market with various segments of supply (spatial standard + standard of furnishing and price differentiation), housing for low-income groups and specific social groups of citizens form just one part of the supply which may apply significant elements of regulation in the process of investing and operating. Implementation of such intentions can only take place at the municipal level, where regional influences must be balanced, too.

The law allows municipalities within the scope of independent activities to process sufficient documents for housing development: a housing development strategy, municipal housing policy, implementation rules and particular steps within the framework of development action plans. Those must take into consideration territorial capacity, economic and social prerequisites in relation to development needs based on demographic and other development trends. It is the fact, that municipalities have not applied this capacity to a sufficient extent within the scope of independent activities.

The Housing Institute realized a survey on privatization, management of municipal assets, and development of municipality in all 2,867 municipalities in 1999 (rate of return was 68.15%). The municipalities were divided into categories according to the number of inhabitants (see Table 6.7).

This survey brought the basic information about process of privatization and housing development. The preparation of the strategies was very rare and insufficient. One of the problems on local level was insufficient information in area of using the local asset (including the housing) and the economic effect for municipality.

Even the Local Government Housing Survey (LGHS) performed within the framework of this project in all municipalities with more than 5,000 of inhabitants proved

that the situation in the conceptual approach to housing management on the level of municipalities is not very good.<sup>4</sup> Municipal self-governments are underestimating the significance of housing policy as a basic conceptual document of the overall municipal development.

According to the LGHS, a housing policy strategy was approved by municipal representatives only in 39.3% of the municipalities; 21.7% of municipalities have elaborated a housing policy strategy, which has not been approved by municipal representatives; and 39.6% of municipalities do not have a housing policy strategy at all.

*Table 6.7*  
Privatization and Management of Municipal Assets

Size Category of Municipality Based on Number of Citizens	Up to 300	Up to 500	Up to 1,000	Up to 5,000	More then 5,000	More then 25,000
Returned questionnaires	437	372	532	519	66	30
<b>I. PRIVATIZATION [%]</b>						
Municipality owned rental housing	7.1	7.8	27.2	63.4	98.5	100
Privatization is ongoing	4.1	5.6	16.5	42.0	90.9	93.9
Privatization is finished	14.3	15.3	16.5	27.2	6.1	6.6
<b>II. HOW DID MUNICIPALITY USE THE FINANCIAL SOURCES FROM HOUSING PRIVATIZATION? [%]</b>						
For reconstruction of housing stock	0.7	1.3	1.5	10.0	34.8	43.3
For new construction of housing	0.7	0.8	1.1	5.0	42.4	33.3
For reconstruction of houses in ownership of inhabitants (co-financing or subsidy, grants)	1.4	1.3	1.8	1.9	6.1	13.3
For local infrastructure	0.7	1.1	5.1	17.1	13.8	46.6
For construction of new housing for inhabitant ownership	1.8	0.8	2.4	4.0	21.2	30.0
For other purposes	2.1	0.8	3.0	9.3	6.1	20.0
<b>III. MUNICIPAL ASSET [%]</b>						
The statement of own asset	96.3	97.0	98.3	98.3	100.0	93.3
The analysis about effectiveness of using this asset	37.2	33.6	32.9	31.6	33.3	53.3
Summary about income and costs for using this asset	48.3	52.7	55.8	57.6	62.1	80.0
Evidence about ownership and all owners in municipal territory	79.8	64.1	83.6	85.2	95.4	90.0

*Table 6.7 (continued)*  
Privatization and Management of Municipal Assets

Size Category of Municipality Based on Number of Citizens	Up to 300	Up to 500	Up to 1,000	Up to 5,000	More then 5,000	More then 25,000
<b>IV. DEVELOPMENT OF MUNICIPALITY [%]</b>						
Registration of new housing applicants	35.2	48.6	54.9	68.6	90.9	90.0
Overlooks financial solvency of applicants —interest for different standard and quality of new housing	13.1	12.1	13.2	14.3	28.8	20.0
Conception of local development	18.6	32.5	33.6	45.8	75.7	73.3
Conception of local housing policy	6.6	13.7	13.7	20.4	57.6	50.0
Conception of land policy	17.2	17.7	17.7	27.2	36.4	36.6
Adopted physical plan	15.4	24.2	28.2	40.5	65.1	70.0
Regulation of individual zones for development	6.9	14.2	19.2	25.0	57.6	70.0

SOURCE: Housing Institute Survey in Year 1999.

In the structure based on the size of the municipalities, the highest portion of municipalities claiming that they have developed and approved a housing policy is recorded in the case of municipalities with a higher number of inhabitants (20–50,000—47% and 50–100,000—66%). Among municipalities with 10–20,000 inhabitants, 53% of them stated that they have not processed a housing policy strategy at all. In the capital, Bratislava, just three municipal parts (out of 12 who filled in the questionnaire) have processed and approved a housing policy strategy.

It is interesting to note that stipulation of main goals of housing policy is not always connected with the notion of the housing policy document; higher number of municipalities state that they have stipulated their goals (however, they have not developed a housing policy strategy):

- More than half (52.3%) of municipalities have clearly stated goals;
- More than one fourth (28.7%) have a perspective of goals that are not sufficiently formulated;
- Only 19% of the municipalities have not stated their main goals of housing policy (though 40% do not have a housing policy strategy).

It is possible to imply that local self-governments most likely have not developed clear methods and procedures and do not dispose by professional capacity for development

of complex strategic housing policy documents. It may be assumed that known goals are formulated more in a verbal form than in some quantitative way.

The most frequently stated goal of municipality housing policy was construction of rental apartments, provision of land and technical facilitation of construction, construction of rental apartments for specific types of households, support of apartment construction for private ownership, construction of lower standard rental apartments and maintenance and renewal of housing stock. The ranking based on significance showed that the priority goal is construction of rental apartments, provision of land and technical facilitation of construction.

The scope of above-mentioned goals is quite diversified and points out to following facts:

- While facilitating housing development, particular municipalities are facing various problems related to existing housing stock, social-economic situation of inhabitants and varied intensity of housing demand;
- Prospects of how to formulate housing policy goals vary—the scale contains qualitative and quantitative goals, from generic goals defining strategic intent all the way to partial ones typical for action plans;
- The municipalities vary in their understanding of housing policy—some of them are oriented solely on the segment of rental housing, while others correctly understood that they should focus on the entire process of housing development including conditions for construction (technical infrastructure and land);
- Housing policy of municipalities is mainly oriented on new construction, whilst maintenance, renewal of existing housing stock and improved administration management is marginalized.

Better understanding of opinions gathered from local self-governments on significance of goals is provided in the answers to the question, where goals have been listed (fixed list of housing policy goals).

A summary of the answers suggests the following:

- Regardless of the size of municipality, the agreement was reached that the priority is to increase access to housing for medium- and low-income households;
- The majority of municipalities agrees that the second most crucial goal is to increase quality of housing and improve housing conditions;
- In case of the rest of the goals, the accordance of opinions on their significance is not so remarkable.

Mentioned ranking confirms that:

- Issue of housing for elderly is marginalized (especially in case of municipalities with 50–100,000 of inhabitants);
- Municipalities do not perceive care for housing for the homeless persons as important (especially in municipalities with 20–50,000 of inhabitants);

- Labor/tenant mobility is not yet considered an issue, due to remaining low mobility of citizens (mainly in cities Kosice and Bratislava, this goal came last);
- Non-adaptable persons are more likely to be separated than integrated (in all size categories of municipalities, the goal “maintenance and creation of social mix preventing from social segregation” came on the last or the one-before-last place).
- Very little attention is paid to the improvement of housing management (especially in municipalities with 10–20,000 of inhabitants on 8<sup>th</sup> place).

To make this approach really work, all the entities must contribute, since such forms basically require a new type of active thinking, knowledge, coordination and communication. A new space is being created for a so-called *public-private partnership* that forms an outstanding development tool in EU countries (it played an important role e.g. in the development of Ireland). Public-private partnership can help the municipality to activate further partners as well as financial resources for fulfillment of development plans.

*Table 6.8*  
Local Government Housing Policy Objectives

Goal	Size Category of Municipality—Population [Thousands]					
	5-10	10-20	20-50	50-100	Over 100	Total
	Ranking of Significance (1 the Most Significant)					
Higher affordability of housing for middle- and low-income households	1	1	1	1	1	1
Higher quality of housing (improvement of housing conditions)	2	3	2	3	2	2
Support apartment ownership and/or construction of apartments for private ownership	3	2	4	2	3	3
To meet specific shortages for persons with disabilities	5	4	3	4	3	4
To meet specific shortages for elderly	4	5	5	8	6	5
Tenant participation	6	8	7	6	5	6
To meet specific shortages for homeless	7	6	9	5	7	7
Higher labor/tenant mobility	7	7	6	7	9	8
Maintenance or creation of social mix preventing from social segregation	9	9	8	9	8	9

SOURCE: LGHS.

## Box 6.2

## Public–Private Partnership as a Development Tool

*The Association of Private Developers of Slovakia (ASSPS) realized, together with the municipality Skalica, a housing construction through public-private partnership. It involved a cooperation of several entities developing new apartments and family houses including construction of the necessary infrastructure. The municipality negotiated with the private company INA about co-financing of apartment construction. The apartments should have served for employees of this company with higher- or medium-standard, furthermore, there should be apartments in citizen ownership bought with assistance of loans from the State Housing Development Fund and finally some of them should be rental municipal apartments co-financed by State and municipal funding. The INA company abandoned the project throughout the course of preparation, however, the municipality together with citizens managed to complete it. Within the construction area, land for construction of private family houses was prepared that is gradually being developed based on interest and capacities of future owners. Since this construction made use of public funding, the whole event was prepared in cooperation with ASSPS via public tender and selection of supplier took form of public competition separately applied on construction of infrastructure and subsequently on housing construction. As a result, a higher quality of construction supply was achieved together with acceptable price. The entire process was presented as an example on various specialized events and seminars for municipalities, which may apply a similar approach in order to facilitate transparency.*

Overall housing cost determines the ability of various social groups of citizens to procure adequate housing on housing market and pay for all necessary cost—i.e. rent and utilities. The Act on Municipal Constitution stipulates that municipalities are responsible for provision of public advantageous services. That further implies their co-responsibility for overall economic and qualitative conditions of housing in the area, which has influence for its further development.

Currently, cost of utilities and services related to housing form around 90% of the total cost of apartment use. Net rental payment forms approximately 10% of the total cost for housing and, together with maintenance and other direct services, it forms approximately 25% of the total costs. Municipalities may directly influence the price for supply of heating, hot water and waste removal, since those are either municipal companies or commercial enterprises operating with municipal financial support or enterprises directly established by municipalities. The costs of local services are not regulated by the State, therefore there are great differences in prices (from 170–650 SK (USD 3.5–13.5) per person and year).

Heating and hot water currently represent the largest expense of all the payments. The State has been regulating the price for heating through stipulation of the maximum price for heat and hot water (current price is SK 450 (USD 9.4) per 1 GJ, in case of a higher price, the state subsidies are provided in order to facilitate balance. Such cases are strictly controlled directly by the Ministry of Finance. The price, which is calculated based on a calculation formula set by the Ministry of Finance, is controlled and approved by the District Offices that, however, generally do not verify eligibility of individual

items applied in the formula. Current prices of heating are from 214–450 SK (USD 4.5–9.4) per 1 GJ.

The creation of the competitive environment and regulatory policy at the state level as well as on the level of the municipality is one of important ways to increase the quality of services and decrease their prices. It is possible to claim that is not usually used in practice. These circumstances should be taken into consideration by the representatives of citizens as well as by professional staff of self-governments when drafting and approving all documents and conceptions on development of municipal life. Only a few municipal representatives realize their capacities to coordinate and control development of prices for services. In contrast, we frequently witness an extensive growth in a local monopoly formed with consent or assistance of self-government for citizens' disadvantage. As long as groups with lower- or medium-income will be burdened with higher payments for services and utilities, there will be no space left for gradual introduction of more realistic rental payments. Moreover, without such prerequisite, we cannot count with sufficient interest on construction of rental apartments.

Equally disadvantageous for citizens are two facts that can be identified on the local, as well as state, level. First of all, it is the low awareness of citizens and related inability to demand clear rules, explanations and control over activities of elected representatives. Here only the small activity of voluntary organizations plays a great role in information field and also organization of consumers. Secondly, it is personal and collective interests of local and national representatives' groups enforced in the local and state policy through the use of municipal property, municipal institutions and the State, so far not privatized companies (lobby).

### Box 6.3

#### Municipal Policy for Service Provision—Waste Removal in Trnava

*Trnava town produces approximately 30 thousand tons of communal waste a year. A former dumpsite, situated 15 km from the town was technically and ecologically not viable. The construction of a suitable dumpsite was regarded as a strategic problem of the town that the municipal self-government needed to solve.*

*Having collected the necessary amount of information on technologies and companies, municipality evaluated all of it and produced two alternatives. Out of those, municipal representatives adopted the alternative of constructing ecologically adequate dumpsite on municipal property. A construction was financed from municipal bonds, while it was planned that it will be a municipal property. In order to operate the dumpsite, municipality established a company together with foreign enterprise, which brought joint venture as well as operational capital. The municipality decided to keep 50% of ownership share in this company, which forms sufficient space for implementation of conception aimed at improved service quality and acceptable price for their provision. An important part was played by the municipality's clear strategy for provision of higher quality services for reasonable price to citizens.*

*For comparison: current annual price for waste removal for one person in Trnava is SK 170 (USD 3.5), while in Kosice it is SK 650 (USD 13.5).*

## 3.2 Local Governmental Housing

In 1999, municipalities managed to gain the public rental sector with a deformed system of use, free of charge. Unfortunately, the State has not created for them sufficient legal and financial environment for development of public rental sector, which would enable them to really enhance this sector. Thus, municipalities were limited by regulatory State policy in the area of price policy, which still has not managed to eliminate deformations of legal character and complications of investment process related to definition of conditions for use of public rental sector.

### 3.2.1 Overview

Based on LGHS, the apartments owned by municipalities (with a number of inhabitants over 5,000) formed 5.7% of the total housing stock in 2001. The intensity of the transfer of apartments according to Act. 182//1993 Coll. on Ownership of Residential and Non-Residential Premises as amended, varied. Besides, the starting basis of municipal apartment ownership varied considerably, too—in smaller municipalities, the share of private apartment ownership in family houses was much higher even in 1989. The factors mentioned above are related to varying intensity of citizens' interest and interest of municipalities in apartment transfer, which subsequently meant that even in municipalities of the same size, the portion of municipal apartments in housing stock is different. The results of questionnaire survey do not imply any cause dependence between the size of municipality and portion of municipal apartments in housing stock. In general, a tendency of the growing portion of apartments in private ownership of citizens with increasing size of municipality was confirmed, with exception of cities (Bratislava, Kosice in the category over 100,000 inhabitants). In the regional division, municipalities of Nitra region generated an extremely high portion of municipal apartments (in all size groups, apart from municipalities with 5–10,000 inhabitants), so did Presov (in all size groups) and Trnava regions (in the group of municipalities with 10–20,000 inhabitants and 50–100,000).

The average size of apartments in municipal ownership (area of the apartment and number of rooms) vary significantly, too. The results of the LGHS show that municipal apartments have two rooms on average (the mean figure per whole sample is 1.76–2.44, the average per whole sample is 1.91 rooms). If we compare this figure with the size structure of apartments in standardized construction units in apartment houses, where more than 50% of apartments have three rooms and more, we may conclude, that throughout the transfer process the majority of the latter ones had been transferred into the private ownership. That implies that municipalities will face great difficulties with accommodating larger families in the residual housing stock.

Unfortunately, such families prevail among the socially unprivileged ones, thus dependent on rental housing.

Average habitable area of the apartment in municipal ownership is closely connected to the above-mentioned average number of rooms per apartment. The average area of 43.1 m<sup>2</sup> per apartment indicates that municipalities own mainly apartments with relatively smaller area now. There is a tendency towards a decrease in the average area of apartments with increasing size of municipality (with the exception of the capital Bratislava).

According to the LGHS, apartments with four and more rooms form only 7.8% of municipal housing stock; kitchenette apartments, one-room and two-room apartments form 57.7% of municipal housing stock. The number of apartments with three-room exceeds the average in Kosice (39%) and some municipal parts of Bratislava (Devinska Nova Ves—44%, Karlova Ves—65% and Petrzalka—51%). These municipal parts contain the newest housing estates, where structure of housing stock based on the number of rooms may differ from the structure of older housing estates. In the housing stock of Bratislava municipality, the number of four-room apartments is more than double the portion in Kosice and municipalities of smaller size categories, even the portion of kitchenette apartments is higher than in other municipalities. We may conclude that the structure of housing stock owned by Bratislava municipality is specific when compared with the other municipalities.

### 3.2.2 Vacancies, Rental Strategies, Arrears and Housing Management

Municipalities have no difficulties with occupation of their apartments; they register only 0.3% vacant serviceable apartments (voids). Almost half of them are registered in the municipality Novaky (Trencin region, population of 4,402 inhabitants), while the main reason is deemed to be specific situation of the town followed by the outflow of young people (the situation in the use of municipal housing stock is considered abnormal).

The amount of rent loss due to the voids is therefore negligible; the entire sample group produced the loss of only 0.88% of the gross rent roll in 2000. Municipalities find allocation of apartments based on a waiting list (36% answers) and sale of apartments (24% answers) to be the most efficient way to solve the problem with voids.

However, the situation in rent payments is worse. Based on LGHS, we may infer that the average rent loss through rent arrears formed 20.2% of the gross rent roll in 2000 (only rent arrears from the year of 2000 were counted and no arrears from previous years were taken into account). The size of the amount is probably related mainly to the economic situation of tenants in particular municipalities: Banska Bystrica, Presov and Kosice regions record extremely high rates of unemployment, low average wages and extremely high portion of rent defaults. No correlation between the size category of municipalities and portion of defaults had been proven.

In general, local self-governments are not optimistic about the resolution of the defaulters' problem, they even expect a moderate increase in rent arrears in 2001 (22% of gross rent roll). The municipalities find prosecution of claimed debts and termination of rental contracts to be the most efficient means for resolution of problems with rent payment defaults (59% of answers). However, both ways are lengthy and the amended Civil Code stipulates the obligation of providing various kinds of substituted (alternative) housing (with various deadlines). Furthermore, municipalities prefer agreements on recognition of debt and installment calendar (12% of answers), to personal negotiations and collection letters (14% of answers).

One of the factors restricting the resolution of the defaulters' issue is the minimum movement of tenants in rented apartments. Municipalities state that the annual share of re-let apartments on the total of municipal housing stock was only 2.7% in 2000. The higher turnover was only recorded in municipalities with an extremely high portion of rent payment defaults (Kosice city, Prievidza). The question was answered only by 41% of municipalities (the others probably did not record any re-lets at all).

Stipulation of differing amounts of rent is restricted. The maximum rental price (rent ceiling) in apartments built before the year 2001 is regulated by the State (based on qualitative category of apartment). Current valid maximum rental prices in existing apartments can be sufficient for financing of regular maintenance and small repairs, but not for financing substantial renovations. Municipalities, therefore, have to either postpone repair works or finance them from municipal funding.

Room for maneuvering for a municipality calculating the rent is very restricted, since any decrease of rent below the maximum price would worsen the situation for a generation of resources for maintenance and repair (stipulated maximum price is already below the margin of the cost for such works). In the case of apartments built after 2001, thanks to state subsidy as part of the rental apartment construction program, there is more space for consideration of various viewpoints when calculating the rent (maximum price is set at 5% of procurement costs, which is roughly a margin of cost rent). Even in such cases, municipalities will have to take tenants' solvency into consideration. Based on questionnaire survey, we can assume that only a minimum number of municipalities use various systems for determining the rent amount (just 12% of municipalities stated that they use various calculations for rent calculation).

According to the LGHS, 22.6% of municipalities answered that rental payment covers costs incurred for maintenance, inevitable repair and administration. It is highly likely that works are adapted to collected rent payment with consequences in the form of continuing negligence of housing stock care (or they own new apartment houses). This conclusion is supported by the answers to the question, whether they consider rent payment sufficient to cover open-minded cost of repairs, maintenance and modernization. Only 16.2% of municipalities answered in a positive manner.

The basic document for allocation of apartments is a list of applicants: 91% of municipalities keep a waiting list of applicants. Objective approach and quality of the

system of allocation of municipal rental apartments can be considered insufficient. Just 44% of the municipalities state that they have a clear grading system for measuring social need as a criterion for apartment allocation. Differentiation of apartment allocation policy for various groups of applicants (e.g. for defaulters, non-adaptable citizens, elderly, socially dependent, young families) is not an ordinary practice used in self-governments' decision-making. Only 17% of municipalities stated that they use different policies of apartment allocation.

Administration and maintenance of housing stock is facilitated in various manners depending on municipality. Most frequently, municipalities delegated administration to a budgetary or corporate organization of municipality and/or to a private management firm. Following is the frequency of housing management types (manager entities) applied by Slovakian municipalities:

- Municipality itself: 13.5% of municipalities;
- Budgetary organization: 29.5% of municipalities;
- Other business entity: 28.7% of municipalities;
- Private management firm: 27.2% of municipalities;
- Private real estate agency: 1.1% of municipalities.

We find the decision to delegate administration of housing stock to a professional local organization justified, since municipality is able to secure its direct relevant decision-making authorities in such organizations. In private management firms, municipalities may apply their decisions and retain the same control as any other owner has; however, they do not have to employ professional staff. Currently, such private organizations are working more efficiently, since they are free of old practices used in the former housing companies. The answers imply that there is no obvious correlation between the way of facilitating housing stock administration and the size of municipality.

In the answer to the question about municipal initiatives in the field of housing conditions' improvement, municipalities recommended a whole range of measures starting from strategic solutions to partial action programs, from construction technical solutions to financial tools. Having grouped the incentives into the clusters based on similar contents, the results are as follows:

- a) Cheaper forms of housing construction;
  - Use of roofs and attics (built-in constructions and superstructures);
  - Reconstruction of non-residential premises;
  - Organization of reconstruction and thermal insulation;
  - Reconstruction of devastated apartments.
  
- b) Generation of sufficient housing stock for specific groups of households;
  - Starting apartments for young families;
  - Small apartments (for single-member households and defaulters);

- Housing units, emergency and temporary housing (for defaulters, homeless);
  - Social apartments with lower standard (for socially unprivileged households and non-adaptable citizens);
  - Special apartments for persons with physical disabilities and elderly (homes with care-takers);
  - Housing for Roma population, on condition that they manually help with the construction.
- c) Financial tools;
- Financial support of municipality for future private owners of apartments and for those who reconstruct their apartments;
  - Non-recurring subsidy of municipality for home-ownership construction;
  - Cumulating of finances for development of technical facilities (municipality, owner, administration of technical facilities);
  - Sale of municipal apartments through installments;
  - Use of state subsidies and loans from the State Housing Fund.
- d) Non-financial support initiatives from municipalities for home-ownership construction;
- Formation of sufficient land capacity for construction;
  - Sale of municipal land for construction;
  - Formation of long-term land capacity within the physical plan;
  - Development of infrastructure in places for future housing construction.
- e) Formation of conditions for sensible use of rental housing stock;
- Conclusion of rental contract for definite period of time;
  - Facilitation of tenants' participation in administration of house and apartment;
  - Introduction of mechanisms controlling use of apartments;
  - Higher quality house administration, maintenance and repair of houses and apartments;
  - Raising rental payments within the limits of maximum price for rent;
  - Displacement of defaulters into apartments with minimum standard.
- f) Improved housing development management;
- Development of policy and program of construction and reproduction of rental housing stock;
  - Development of housing strategy within a physical plan.

- g) Others;
- Cooperation with foreign partners;
  - Sale of apartments in business tender;
  - Association of non-adaptable citizens;
  - Improved activity of housing commissions.

The evaluation of a self-government's performance also covers the overall capacity to manage and organize municipal development (including housing development). After 1989, newly elected representatives, including the staff of self-government bodies, were not sufficiently prepared for their tasks related to transformation of social and economic spheres. They became responsible for development, for their own business activities, for management of public funds and, in many cases, even for management of large volumes of mobile and immobile property. It is important to note that property values recorded significant changes in real values during a very short period, which was caused by introduction of economic assessment system. That is why the majority of activities were performed in more intuitive ways rather than based on some theoretical knowledge of practical experience.

Performance of self-administration and results in many cases prove the existence of a differentiated approach of local politicians to resolution of various problems. However, self-governments of Slovakia belong among those organizations that made a significant step forward (even though they made a lot of mistakes, inconvenience or imperfections).

One of the major issues of self-government is a relationship of elected representatives and professional staff of the Municipal Office. Political parties have not yet started to prepare elected representatives and their subsequent training so that they are able to adopt and approve professional proposals. To the contrary, the majority of political parties do not pay any attention to the destiny of elected representatives, since political culture is at a very low level.

All these circumstances are related to housing development and its individual parts. Representatives have not been acquainted to principles of investment process and, therefore, any kind of decision-making based on economic analysis is equally unknown to them, as are questions of economic efficiency of management with public funding. Thus, in many cases, group interests are preferred together with speculative procedures hidden behind "lobbying", while business activities are frequently masked, for public interests, behind private business via public funding.

There are two organizations of municipalities in Slovakia: the Association of Municipalities (ZMOS) and the Union of Municipalities of Slovakia (UMS). Neither of the above-mentioned organizations has a training center that could provide permanent education for elected representatives as well as for professionals from various authorities. This situation gave rise to new organizations of occupational character (local economists, heads of offices), established for the purpose of replacement of domestic and foreign experience.

### 3.3 Social Context of Rental Housing and Social Housing

Rental housing in the form of social housing (or special forms for vulnerable groups) will concern persons in long-term material distress, persons living within State defined limits of poverty, including a special category of homeless. An independent category that needs to be considered is elderly people dependent on various types of social care institutions. Young people who need to be given a chance to obtain their own housing form another group. In both cases, modern ways of resolving their housing situations lead to formation of the best possible conditions of regular “non-institutional” housing. There are not yet serious examples of this solution in Slovakia, while the new programs only started in 2001.

Modeling of expected housing demands to serve as a basis for development of local housing policy in terms of social aspects for a particular municipality is a demanding task due to various relations within the system of social economic development and lack of information. It is mainly caused by the fact that a principal database is missing, which could at least indirectly monitor the expected range of such need in the population of a particular municipality. Accessible statistical data are not able to cover the inevitable database in this sphere. The data monitored by municipalities allows for only indirect and fragmental estimates on requirements related to housing issue (not only in terms of rental housing).

Experience gained from the field analysis prove that existing accessible data allow for characterization of:

- Basic social demographic features of community, or expected demographic development of this community, which is a significant context index of possible “pressures” on resolution of housing problem in the town;
- Migration balance which is completed by the situation in demographic development of the citizens and it is necessary to include it when thinking about claims related to housing or housing needs.

In order to define expected housing need (even with regard to differentiation of claims) the social differentiation reflecting present social stratification is an important factor. Analytical information of this kind, however, is not accessible, since it can be only obtained through research. The same was proved in Trnava municipality, which was later used in other tasks as a model for monitoring of expected development in housing situation. The data on social situation in the municipality are very fragmented and limited.

Information, partially gathered from censuses and partially from registration accessible at District Offices and municipalities, however, do not provide a complete answer to the question of citizens’ ability to find adequate housing in a respective municipality. Furthermore, it is not clear what are the preferences, what is the “purchasing

power". In order to form a local housing policy, it is inevitable that we will monitor the housing situation, and expected housing needs, in a particular municipality and mutually analyze housing, employment and social conditions.

#### Box 6.4

#### Social Situation in Municipality Trnava

*Based on above-mentioned findings from Trnava municipality, we can conclude the following: Of the total number of permanent residents of Trnava (69,511 persons) based on the census from May 2001, the economically active population formed 52.2% of the population (36,257 persons). The important data is the fact that the municipality had 5,601 unemployed persons at that time, which equals 13.4%. Another significant bit of information is that on July 30, 2001, Trnava District Office registered 3,200 persons in material distress within the limits of Trnava town. This is 4.6% of the total population of Trnava. If we consider the fact that material distress is an especially threatening category of long-term unemployed, it shows that 57.1% of the category of unemployed could possibly belong to the later group. The municipality registered 6,500 persons benefiting from social allowance. Out of these beneficiaries, 600 persons were receiving housing allowance (9.2%). It is highly likely that a major part of social allowance beneficiaries overlap with the group of unemployed. The above-mentioned data implies what potential persons in a municipality might be in the situation close to rental social housing (regardless of the fact where they live now). It is the warning signal of an ever-growing category of these persons and subsequent pressure on social housing needs unless the social economic situation starts to improve and lead, at least partially, to breakaway from this marginalized position.*

Process of housing need monitoring is inevitably done to obtain a realistic picture of a respective municipality that wishes to process and implement its own housing policy strategy corresponding with housing market development. The monitoring process should observe and evaluate the following:

- Existing statistical information (data), gathered by statistical agencies, completed with further necessary data;
- Information and data gathered by public administration institutions (Regional Development Departments, Construction Departments, Social Departments, etc.);
- To perform and evaluate own research, while preparation of methods, implementation and evaluation should be processed by relevant professional staff of the self-government;
- Further necessary data (such as dropouts of housing stock in order to be able to quantify replacement), focusing on current and expected housing needs.

## 4. CONCLUSIONS AND RECOMMENDATIONS

As before, housing development in Slovakia, including the rental sector for lower- and medium-income groups, will require that the government include it among the priorities of economic and social development. This is the only way for all the support instruments of its development to be fully applied. However, the process of transformation of the whole system of the housing market development will have to be completed with respect to legislation as well as the organizational, institutional and educational areas. The tasks concern all the partners of the process; the central government, self-governments, business and not-for-profit entities, but—above all—the citizens, as such. The latter namely also act as workers of all the above institutions mentioned.

The long awaited amendment to the Civil Code has introduced some improvements in 2001. Among others, it pronouncedly changed the rights and responsibilities of owners and tenants, introduced changes into the termination of rental relationships (mainly in connection with the landlord's duty to find a substituted/alternative housing). Those changes could help also to facilitate the dealing with the increasing problem of delinquency in rental housing. In dealing with the specific cases, however, serious social cases will have to be distinguished from “negligence” by managers of municipal rental housing. The possibility of granting housing allowance to those suffering from severe social problems may be considered, which presently is not allowed. It is necessary to finalize the role of State and local administration in cases even if previous payments have not been realized, provided that the arrears will be gradually settled. This will require amendments to the Housing Allowance Act. It is possible to transfer the competence on housing allowances allocation to municipality self-government. In other cases, the situation may be dealt with by terminating the rental relationship pursuant to the amendment to the Civil Code. The efficiency of the amendment mentioned will be checked by its practical application as well as by the courage of municipalities to radically deal with the problems of delinquency. To be able to apply a radical procedure, municipalities will have to set up a “backyard” that will enable them to allocate a lower standard housing to delinquents (shelters), acquired either by new construction or by reconstruction of other structures.

The government program for construction of rental housing for the socially underprivileged low-income groups disclosed a number of problems connected with the housing construction. The construction of such housing is based on a combination of credit-based and subsidies-based program that municipalities may participate in. Municipalities, being legal entities, represent a certain warranty to the State (municipalities guarantee by their property or e.g. their future budgets) that the projects will actually be implemented. In a majority of cases, municipal governments have no professional capacities to provide the extensive capital investment activities; they are

not even expected to do so in the framework of their facultative tasks. Consequently, the need to establish organizations is being stressed to take care of capital investment activities and to also manage and administer the rental apartment houses built. In this connection, the fact has to be respected that the financing of rental housing is comprised of subsidies and credits that will have to be discharged from rents. If not, they will have to be covered from other sources, e.g. municipal budgets. The establishment of not-for-profit organizations or organizations of public benefit is recommended to assume all the responsibilities and to take care, in working together with the municipality concerned, of the further development of rental housing. They are expected to be highly professional organizations at the same time whose activities should be conditioned by the licensing. During the first stage, amendment to the Public Benefit Organizations Act is expected (prepared in 2001—not yet approved), the legal regulation of accounting in this type of organizations remains out of sight.

Connected open problem with not-for-profit organizations is the current system of housing cooperatives with respect to which transformation pursuant to Act 42/1992 has not been brought to an end. This has resulted in ownership relationships of cooperative members to their apartments and the property of the cooperative being not yet settled. This also concerns land used permanently by cooperatives but not transferred upon them free of charge as provided for by law. Such opportunities are now already subject to the statute of limitation. Problems also concern the management of the various funds, property settlements with members, adoption of new by-laws, as well as a number of other partial issues. The present system does not allow the original intention to be realized, namely to split cooperatives into smaller viable units.

The system of housing cooperatives as such requires a principal political solution, a clear-cut decision through legislation:

- Either the State is going to respect them in the future, as one form that used to be rather efficient, for instance, during the times of the Austro-Hungarian Empire and the first republic (amendment to the Business Code or separate cooperative law will be needed in this case), or
- They should be dissolved by the law to prevent fraudulent appropriation of entrusted property. If the State decides to keep the system in place, the legal framework for its transformation and further existence should be completed, including support instruments (Section 1 of Commercial Code allows provision to members of also activities other than commercial, e.g. social).

The supply-side subsidies for housing construction appear to be necessary because of the income situation of municipalities and individuals. They can be gradually replaced by demand-side subsidies paid to users in the form of a housing allowances (introduced in 2000). At the same time, competencies with respect to allocation and control of housing allowance can devolve upon municipalities that—as it appears today—are able

to exercise control of the eligibility of persons with respect to the allowance much more efficiently than do the state authorities.

During the preparatory process of the construction, construction deliveries have to be tendered, as is generally realized under Law No. 557/2001 COLL. In a majority of cases, no results are published. It would be efficient if the Public Procurement Authority published data on the budgets of all projects of rental housing realized (where public funds have been contributed) as is the case in Austria, Germany, etc. The database would then serve for the purposes of control and comparison of costs, to disclose hidden reserves and to exert pressure to increase the efficiency of spending of public funds. The Authority has so far been overseeing such practices.

Rental price regulation and support of the development of the rental sector owned by municipalities is based on subsidizing both the demand and the supply side. This is presently unavoidable because of the insufficient growth of maximum prices of regulated rents. The government must expediently subject regulation of rents to objective criteria and abolish regulation with respect to private owners of buildings (tasks from the approved State Housing Policy). It is unclear how the situation is going to develop during the next election period as the social situation only shows slow improvement rates and the inflow of investments needed will depend on the economic growth and the stability of the political situation.

Three years ago, the Ministry of Construction and Public Works developed a draft of the new Housing Act that was withdrawn because of a number of comments. It lacked a clear conception. The group of topical issues that exist today concerning the rental housing construction program would require a new act or a regulation to regulate the condition of rental relationships in accordance with the Civil Code, specifically with respect to units in public rental housing.

Many issues have remained open in connection with the construction and operation of the public rental sector built up under the assistance of state subsidies. Such housing may be allocated to families whose income does not exceed three times the subsistence minimum. The following, however, must be solved:

- What to do with tenants who, during the period of their using the unit, exceeded the income ceiling set as the condition for the granting of state subsidies for construction;
- What will happen if the income increases, and up to what level of income the user will be expected to pay rent to cover the costs, and where is the threshold beyond which rents could be negotiated freely?

Lacking are legal definitions of protected groups of the population for whom housing has to be provided (e.g. the homeless, elderly people, children from children's home, the disabled, etc.). Standards (either related to space, equipment and mainly to financial support) cannot be regulated in any way unless such definitions and all connected

questions are in place. There is a task that each Ministry must prepare units or standards by 2004, when the financial decentralization will be finished. Lower-tier self-governments, however, will not be able to deal with their tasks under the gradual decentralization of competencies without having such measures in place, particularly if cooperation with the private or not-for-profit sector is required. The sooner equal access to tenders, on the part of the public and private sector, for providing services is itself provided, the better it will be.

The principal strategy is lacking with respect to the housing of the elderly: it remains unclear what resources should be used to finance accommodation capacities and the connected services of this type. Many countries combine various types of insurance (health—nursing, social and pension insurance) and they also clearly account for the property-related and family status of the person in question. In Slovakia, the problem must be addressed under the insurance system reform (legislation is now in the parliament).

At present, state financial support instruments intended for the development of privately owned housing appears complete when viewed from the aspect of incentives for utilization of loans (construction savings, mortgages, the State Housing Development Fund (SHDF)). The issues of the efficiency of the utilization of public funds for these purposes are opened. With the exception of loans under SHDF, support is granted irrespective of the applicant's income.

It will be important to analyze the effectiveness of financial support and decide about the following—whether:

- The premium paid to participants in construction savings schemes should not be based on income testing;
- The state interest subsidies on mortgage loans should be adjusted in a principal manners.

What are completely lacking are tax-related instruments that would make investments into housing subject to tax concessions. The Slovak Ministry of Finances should also expediently pay attention to this field in connection with permanent adjustments of the taxation system.

At present, the State has not a single research institution that would deal with analyses and make comprehensive suggestions for the resolution of problems connected with housing development as a whole.

#### 4.1 Current Capacity and Tasks of the Municipality in Housing Development

As part of decentralization of public administration, many duties and competencies are being shifted from state administration to municipalities. Fundamental duties are

stipulated in the Act on Municipal Establishment (Act 369/1996 Coll.), which was amended in relation to decentralization (Act 453/2001 Coll.). Based on this amendment, a municipality is in charge of the following activities, apart from execution of self-administrative role:

- It develops and approves physical planning documentation;
- It develops and approves strategy for development of individual areas of municipal life;
- It develops and approves housing development programs;
- It carries out its own investment and business activities in order to satisfy citizens' needs and the need for municipal development;
- It fulfills the tasks in the area of social assistance to the extent of the Act on Social Assistance (this includes housing for socially and physically dependent citizens).

Regarding the above-mentioned tasks as well as present insufficient level of strategic activities of municipal self-governments (based on the information from the LGHS) it is necessary:

- To create the conditions for permanent strategic activities in all municipalities (performed by internal employees or specialized professional groups);
- To develop an adequate information system on housing, social situation of the citizens, on territorial potential, etc.;
- To facilitate binding character of such documents (e.g. through approval even on the level of municipal representatives) and their acceptance by citizens (public discussion with citizens, permanent information activities, etc.);
- To increase the professional level of decision-making bodies of local self-government (mainly of elected representatives) through permanent professional training;
- To apply adequate procedures for evaluation of strategy intentions especially based on the principle of cost-effectiveness and long-term effectiveness of public spending;
- To define the role of the municipality as investor and operator of housing stock, as well as the task that is related to it as part of the obligation to create conditions for housing development in general.

The role of the municipality in housing development lies with provision of clear strategy of overall municipal development. The basis has been formulated in a vision, which very briefly defines the position and focus of municipality in narrower as well as broader territorial relationships (e.g. the municipality will function as business-administration center with agricultural processing industry). The vision must be broken down into a strategic plan, stating which territorial and partial areas will be developed in the next 5 to 10 years.

A part of strategic planning is also prospecting for housing development. A municipality should develop the prospect strategy on the basis of analysis of the present situation.

A prospective strategy for the entire area of housing development on its territory is necessary to have something to base the whole range of types of urbanization (physical plan, selection of localities, qualitative and quantitative evaluation assessment of demand and offer, estimation of needs, conditions for investors, investment activities and public-private partnership). In order to develop, prospect, and coordinate its implementation, each municipality needs to:

- Develop a strategy of land policy for the purpose of qualified offer of land for those who are interested in investing in housing construction;
- Develop a strategy for housing construction development on its territory in necessary variations, so that the local housing market can function without greater difficulties;
- Create favorable conditions for private entrepreneurs and public-private partnerships for construction starting from development of a physical plan from the municipality all the way to selection of suitable locations;
- Develop necessary regulations (related to construction and social ones—such as for the purposes of preventing formation of segregated groups of citizens).

While developing housing policy, a municipality should:

- Determine its own tools for development of balanced housing market;
- Quantify the need and structure of housing, especially for the group of citizens who are dependent on municipal rental apartments;
- Propose an effective system of management of their own apartments (institutional form of administration and provision of construction, issues of housing allocation, calculation of the rent, relationships with tenants, etc.);
- Assess potential for financing construction of housing into the ownership of municipality (resources of financing for construction and care for housing stock with a quantification of long-term effects on municipal budget).

It is necessary to facilitate effective cooperation of all relevant partners in housing development on the territory (investors, citizens and administrators):

- To provide relevant housing for the citizens who are unable, due to their financial status, to facilitate their housing on the free housing market;
- To create territorial as well as technical pre-requisites for housing construction (locations in the physical plan, regulations of construction, technical infrastructure covered by municipal authorities).

While fulfilling development strategy, the municipality does not have to play a direct role, rather, it could be an initiator or a mediator. A large part of the tasks can be left to the private sphere—non-governmental business or not-for-profit organizations. The basis for such an approach is communication between elected deputies and citizens,

civil associations as well as business organizations. Citizens can identify themselves with prospect plans only if they understand their intentions and the way they will be achieved (including social subsidiary issues).

Development of a housing market requires clear cooperation between the public and private sector. The municipality is partially performing a marketing strategy and therefore helping construction companies, consequently, it conserves its own finances. Strategy is based on the use of all accessible means for housing support. Ultimately, the roles of municipality should be to create favorable conditions for development of private and public housing sectors—to conduct dialogue with investors with the aim of attracting investors into suitable positions, and thus revive housing construction. Adequate locations should be discussed, in advance, with citizens and thoroughly assessed from the viewpoint of limitations and possible obstacles.

A basic condition for the successful development of a housing market is the use of all necessary ways of planning local regulations. Those must be harmonized with state legislation and tools prepared so that, at the end, there is a variety of quality and cost of housing accessible for all types of income groups on the supply side. In the mean time, municipalities should mainly focus on groups of citizens which are not able to acquire their own or rental housing on the market and leave other parts of supply to other entities.

The role of the municipality is not to provide finances or direct housing construction financing apart from a certain portion of social construction supported by the State, or an allowance for improvement of housing status or technical infrastructure, in harmony with prospective strategies and actual potential of municipal budget or specialized funds. The housing issue is, to a large extent, a matter of a private sector within a free market that naturally loses its social dimension.

Usually housing care, even for the socially weakest groups of citizens, is included in the election platforms of political parties. From this viewpoint, it is important to realize, that housing issues connect with citizens much more than any other issue and its potential negligence can affect future election results. The interest of municipalities in housing issues is not only the product of humanistic approach, but also a logical result of political, economic and social pressure. Municipal policy in this area will differ depending on conditions and needs in a particular town.

Regarding the above-mentioned, it is desirable for the self-administration bodies to create, through their own professional staff, an adequate database. It is only on the basis of clear and professional analysis and subsequent proposals that elected representatives can adopt responsible political decisions on behalf of the self-government. Monitoring situations, through housing need analysis, is recommended on a cyclical basis mainly in larger towns or cities and on the level of self-administrative regions. Due to the fact that self-government will be significantly involved in tackling the housing issues of social character, it is important that housing need monitoring does not leave out marginal

social groups (such as homeless people, children leaving orphanages, some categories of elderly, etc.)

Transfer of apartment ownership based on Act 182/1993 Coll. meant that housing stock had decreased beneath the level that is regarded as adequate to the income structure of citizens in Slovakia (see Chapter 2). That is why municipalities will have to prepare themselves for more extensive construction, for which the State has recently created outstandingly good conditions (mainly through state support). However, municipalities will also have to cope with the long-term consequence of construction on the municipal budget (interest cost, repayment of debts) especially in the situation that administration and care for this housing stock will still have to be subsidized due to incapacity of tenants to pay cost covering rent payment.

Another significant role of the municipality is in obtaining land for housing construction. As part of territorial preparation of individual locations for construction development—it will select and approve suitable locations for particular functions—even for housing construction. An important factor is if the municipality owns the land or will purchase the land, or exchange it, in order to facilitate housing construction. A construction, which is very dispersed on the territory, is very costly and problematic from the viewpoint of investment into infrastructure.

It is also necessary to provide the professional performance of construction and administration of housing stock in terms of staffing as well as in formation of efficient organizations (if it is cost-effective from the viewpoint of the size of housing stock):

- To create an independent system of financing in the housing stock and to tackle gradual decrease of dependence of this area on state budget;
- To develop an apartment allocation policy, a system of clear criteria for evaluation of eligibility for allocation of municipal apartment (measuring social needs) and priorities within the scope of eligible applicants.

Municipalities currently prefer administration of housing stock provided by organizations, which specialize in administration of municipal property (budgetary organizations, or other business entities are providing these services for 58% of the municipalities). However, in order to achieve highly a professional and mainly effective performance of the entire system of construction and administration of housing stock, municipalities should create more efficient institutional prerequisites: e.g. non-profit organizations providing fulfillment of tasks like public utility activities with all its duties. This could free the municipalities from the burden of operational activities and at the same time—and this is essential—even the financial system could be separated from the municipal budget. A solution to balanced financing of housing stock reproduction depends on conditions for rent payment collection on the level of reproduction cost.

Criteria for assessment of justified municipal apartment allocation are mainly a question of their stipulation on the national level, while municipalities should adapt them to their level only in respect to housing stock availability.

APPENDIX

*Table A6.1*  
 Overview of State Policy Documents Relating  
 to Housing Development in the Slovak Republic

Document	Period	Objectives	Tools
Housing Policy Strategy 1994	1994–2000	<ul style="list-style-type: none"> <li>• Gradual improvement of the overall standard of housing and establishment of the necessary conditions to provide for accessibility of housing;</li> <li>• Bringing to halt the decay of the housing stock and reducing energy consumption;</li> <li>• Establishment of conditions to provide for increments of housing stock to keep the quantitative levels of housing at the 1991 values, transformation of the housing management aimed at improving the efficiency of funds spent on the management of the housing stock, in particular, through the application of market principles;</li> <li>• Application of expedient liberalization of rents linked with the granting of housing allowances that will mitigate the untoward impacts of liberalization (drafting of a new regulation on rents—by 2<sup>nd</sup> half of 1994);</li> <li>• Changes in ownership relationships and management of technical infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>• Necessary amendments and adjustments of the legal environment;</li> <li>• Adjustment of economic tools needed for the achievement of the objectives;</li> <li>• Efficient spending of public funds on housing construction for low-income population and special forms of housing (for the homeless, delinquents, persons with severe disabilities, pensioners, the elderly, etc.);</li> <li>• Requirement to develop technical and economic criteria for this type of construction;</li> <li>• Develop state programs.</li> </ul>
State Housing Policy Strategy 1994	1995–2000	<ul style="list-style-type: none"> <li>• To set up a responsible central authority to have the authority to implement housing policy tasks;</li> <li>• To provide the necessary increment of units (approximately 26 thousand a year) aimed at keeping the quantitative parameter at the 1991 value of 307 units per 1,000 (<i>Census 2000 showed 350.39 units per 1,000 inhabitants</i>);</li> </ul>	<ul style="list-style-type: none"> <li>• Amendments to, and adjustments of, the legal environment:                             <ul style="list-style-type: none"> <li>– amendment to the Civil Code (<i>implemented in 2001</i>);</li> <li>– Act on Non-profit Organizations (administration organizations —<i>not implemented</i>).</li> </ul> </li> <li>• Adjustments of economic tools needed to achieve the objectives:</li> </ul>

*Table A6.1 (continued)*  
 Overview of State Policy Documents Relating  
 to Housing Development in the Slovak Republic

Document	Period	Objectives	Tools
		<ul style="list-style-type: none"> <li>• To improve the housing stock structure (<i>not realized</i>);</li> <li>• To keep 20% of the housing stock under privatization for housing of the socially underprivileged groups of the population (<i>not realized, the volume dropped to about 6.5%</i>);</li> <li>• To transfer the administration and management of the housing stock to commercial companies or contributory organizations that will assume also the role of the investor and land management (<i>not realized</i>).</li> </ul>	<ul style="list-style-type: none"> <li>– subsidies to premiums on construction savings for natural persons—suggested amendment—to enable saving also to legal entities (<i>applicable amendment since 2000</i>);</li> <li>– setting up the housing construction support fund—granting of soft long-term loans (10–30 years at up to 6% interest rates) including limited grants, subsidies and compensation for a portion of the interest—considered for legal entities and natural persons (<i>State Housing Development Fund since 1996, amendments since 1997 and 2000—funds from State Budget</i>);</li> <li>– setting up the primary and secondary market of mortgage bonds (<i>not implemented, guarantees program since 2001</i>);</li> <li>– amendment to the Income Tax Act (<i>not implemented</i>);</li> <li>– raising the share taxes to the benefit of municipalities—earmarked for housing development etc. (<i>not implemented</i>).</li> <li>• Liberalization of rents—split into two stages (harmonization with the housing allowance—in 2000).</li> <li>• Social policy—introduction of housing allowance and subsidies to the construction of rental housing since 2000 (<i>since 2001</i>).</li> </ul>

*Table A6.1 (Continued)*  
 Overview of State Policy Documents Relating  
 to Housing Development in the Slovak Republic

Document	Period	Objectives	Tools
Housing Construction Development Strategy 1999	1999–2005	<p><i>Major objective: saturating housing needs</i> through the development of an efficient tool being a functional housing market.</p> <p><i>Partial objectives:</i></p> <ul style="list-style-type: none"> <li>• Related to housing:                             <ul style="list-style-type: none"> <li>– efficient use of the existing housing stock;</li> <li>– provision for new construction of housing;</li> <li>– preparation of the territory for new construction.</li> </ul> </li> <li>• Related to economic, social and societal conditions:                             <ul style="list-style-type: none"> <li>– creation of favorable macro-economic conditions;</li> <li>– setting up of efficient systems of housing construction financing based on a structured system of economic tools supporting all layers of the population;</li> <li>– provision for corresponding level of legal regulations.</li> </ul> </li> </ul>	<p>Draft <i>legislative amendments</i> viewed as the necessary precondition for the development of the housing market:</p> <ul style="list-style-type: none"> <li>• Systemic approach to rent deregulation;</li> <li>• Setting the conditions for the calculation of rents for newly constructed “social housing”;</li> <li>• Amendments to the Energy Act and the Small Trade Act;</li> <li>• Act on Public Water Lines and Public Sewerage;</li> <li>• Amendment to the Civil Code as amended from time to time;</li> <li>• Amendment to the Act on Ownership of Apartments and Non-residential Spaces;</li> <li>• Amendment to the Income Tax Act;</li> <li>• Amendment to the Property Tax Act;</li> <li>• Drafting of a law on non-profit organizations, also with respect to housing.</li> </ul> <p><i>Adoption of programs:</i></p> <ul style="list-style-type: none"> <li>• Granting of state subsidies to the construction of rental housing;</li> <li>• Granting of state grants for the construction of technical infrastructure to rental housing;</li> <li>• Granting of state grants for the elimination of systemic faults in apartment houses.</li> </ul>

*Table A6.1 (Continued)*  
 Overview of State Policy Documents Relating  
 to Housing Development in the Slovak Republic

Document	Period	Objectives	Tools
State Housing Policy Strategy 2000	Through the year 2005, projection through 2010	<p><i>To set up a framework for all participants of the housing development process:</i></p> <ul style="list-style-type: none"> <li>– upon dealing with partial tasks;</li> <li>– for the sake of participation at all levels of decision-making;</li> <li>– for private and public sector partnership while respecting the sustainable development criteria.</li> </ul>	<p><i>Completion of the transformation of the legislative framework and support tools for housing development to the conditions of the market economy.</i></p> <ul style="list-style-type: none"> <li>• Differentiation of state support by the individual forms of construction intended for the various income groups of the population —privately owned and rental housing (<i>construction saving scheme, mortgages, State Housing Development Fund, and support programs</i>);</li> <li>• Continuing deregulation of rents (<i>possibly getting to the level of cost-covering rents by 2003</i>);</li> <li>• Developing housing policies for 10-year periods;</li> <li>• Application of specific tasks via the Action Plan for Housing Development for approximately 5-year periods;             <ul style="list-style-type: none"> <li>• Including housing among state priorities, including measures and activities to achieve them;</li> </ul> </li> <li>• Evaluating, on a yearly basis, the efficiency of the measures taken and the necessary updates.</li> </ul>
Annex: <i>Action Plan for Housing Development</i>	Through the year 2005	To create technical, economic and legislative conditions through Action Plan measures for a gradual growth of housing construction, so as to achieve the level of approximately 20,000 apartments completed annually around 2005.	

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## ENDNOTES

- <sup>1</sup> During the period between 1967–1990, the system of National Committees existed on local, district and regional levels. Those institutions represented the mix of self-governmental and state administration systems, through which the central policy was realized.
- <sup>2</sup> The purchase price means the price recorded in the accounting documents that accounted for the first general inventory of property in 1965.
- <sup>3</sup> The change applies only to new loans. The old loans maintain the same level of subsidizing during the whole contract, e.g. the subsidy does not change during the loan period.
- <sup>4</sup> Questionnaires were sent to a total of 124 municipalities with populations over 5,000; the rate of return was slightly above 50%. Due to the lower level of representation of smaller cities, weighting was applied to assure the representative value of the results according to the size of municipalities.