

HOUSING

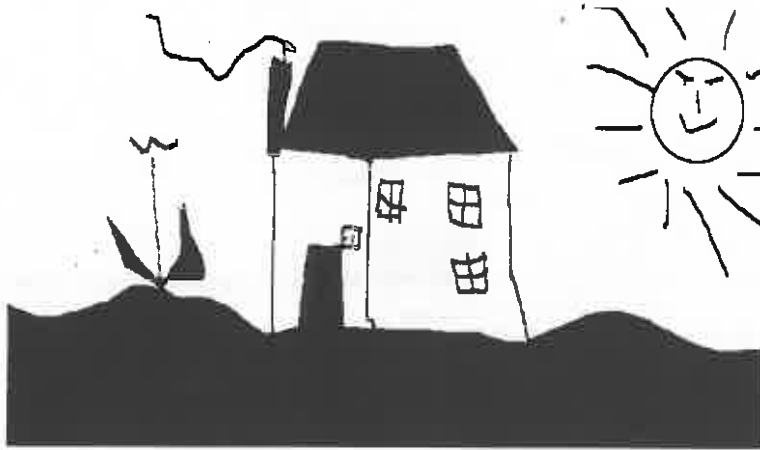


in the Czech Republic

National Report
for the United Nations Conference
on Human Settlements – Habitat II,
Istanbul, June 1996

Prague 1996

HOUSING



in the Czech Republic

National Report
for the United Nations Conference
on Human Settlements – Habitat II,
Istanbul, June 1996

Prague 1996



The location of the Czech Republic in Europe

Authors:

Ministry of Economy of the Czech Republic – Housing Policy Department:

Jan Wagner (Director)
Daniela Grabmüllerová
Milena Menzlová
Jaroslav Kohout
Jaroslav Kůbečka

Ministry of Foreign Affairs of the Czech Republic – Department of International Economic Organizations:

Jan Kára

Terplan, Jnt. Stk., Prague:

Alois Andrlé (Director)
Miloš Červený
František Matyáš

Table of Contents

- I. Introduction / 5

- II. The General Development and the Present State of Housing / 7
 - 1. WIDER CONNECTIONS OF HOUSING / 7**
 - A. The Basic Macroeconomic Framework and Trends of Development / 7
 - B. The Impact of the Economic Transformation on the Population and Human Settlements. / 10
 - B.1. Settlements / 10
 - B.2. Population / 12
 - C. Public Budgets and Decentralization of State Administration as well as of Self-Government / 13

 - 2. DEVELOPMENT AND THE PRESENT CONDITION OF HOUSING / 15**
 - A. Development and the Present State of the Housing Stock / 17
 - A.1. Quantification of the Housing Stock / 17
 - A.2. The Quality of the Housing Stock / 19
 - B. Starting Points in 1989 / 21
 - C. Consequences of the Ownership Changes in the Sphere of Housing under the Conditions of Economic Transformation / 22
 - C.1. Ownership Relations to Residential Houses / 22
 - C.2. Relations between Landlords and Tenants / 23
 - C.3. Gradual Liberalization of Rents / 24
 - C.4. Privatization of the Housing Stock / 26
 - D. Availability of Housing / 27
 - E. Legal Framework of Housing / 28
 - F. Housing Construction and Building Industry / 29

- III. Principles of Approach to the Problems of Housing and Human Settlements / 30
 - 1. PRINCIPLES OF THE HOUSING POLICY / 30**

 - 2. STATE FINANCIAL SUPPORT OF HOUSING / 33**
 - A. Support of Owner-occupied Forms of Housing / 33
 - A.1. Support of Construction Saving / 33
 - A.2. Support of Mortgages for Housing Construction / 33
 - B. Support of Rental Forms of Housing / 34
 - B.1. Support given for the Completion of Objects of the Previous so-called Comprehensive Housing Construction / 34
 - B.2. Support for the Completion of Cooperative Multi-Dwelling Houses / 34
 - B.3. Support given to the Construction of New Rental Houses and of the Infrastructure in Municipalities / 30

- B.4. Support of Building Boarding Houses for Pensioners and Houses with Care Services / **35**
- B.5. Reprofiling of Hospital Beds / **35**
- B.6. Subsidies for Heating / **35**
- B.7. Housing allowances / **36**
- C. Support of Housing Stock Modernization / **36**
 - C.1. Interest-free Loans to Municipalities for Modernization / **36**
 - C.2. Support of Improving Heat Insulation / **37**
 - C.3. Support of Changes of Heating Systems into more Ecological Forms / **37**
 - C.4. Support of Removing Defects in Prefab Large-Panel Residential Buildings / **37**
 - C.5. Contribution to Sanitizing Antiradon Measures / **37**
- D. Settlement of Damage to Property / **38**
- E. Tax Advantages / **38**
- F. Further Provisions / **38**

IV. Regional and Local Development / **39**

- 1. **PRINCIPLES OF REGIONAL ECONOMIC POLICY / 39**
- 2. **DEVELOPMENT OF TOWNS AND MUNICIPALITIES AND PROGRAMMES OF SUPPORT / 42**
- 3. **EXAMPLE - ČESKÝ KRUMLOV / 45**

V. Principles of Environmental Protection / **47**

- 1. **BASIC AIMS AND LEGISLATION / 47**
- 2. **STATE ENVIRONMENTAL POLICY / 49**
- 3. **SUPPORTING PROGRAMMES / 50**

VI. International Cooperation / **50**

I. Introduction

The beginning of the new history of the Czech statehood is connected with the year 1918 when the Czechoslovak Republic came to rise due to the disintegration of the Austro-Hungarian monarchy. The existence of the Republic was interrupted by the Nazi occupation in 1939. After World War II there was a short democratic period lasting for only three years because **the year 1948 saw a coup d'état followed by a totalitarian communist regime.** At the end of the year 1989 a **fundamental political change took place**, consisting above all in the collapse of the totalitarian regime, in getting free of the power influence of the former Soviet Union and in the Soviet armies leaving this country. A democratic society with civil rights and a parliamentary system has been reintroduced. Also economic reforms were launched with the aim to create market economy. After the elections in the year 1992, both Republics closed a political agreement according to which two new states arose in 1993 – the Czech Republic and the Slovak Republic.

In 1976, Czechoslovakia was a participant in the conference HABITAT II. The results presented and the ideas of the development in the sphere of housing corresponded with the political, economic and social principles declared and applied by the political representation of that time, i. e. with the centrally planned economy and administrative management from one centre. In the years 1948–1989, the housing policy confined itself particularly on a **mass housing construction.** Since the sixties it consisted nearly exclusively in the application of prefabricated mounted technology in the form of uniform monotonous developments built on vacant areas on the outskirts of towns. State financial support was partly given to cooperative construction too (mostly built by prefabricated mounted technology as well) as well as to natural persons for building one-family houses. If the stipulated conditions had been fulfilled, even long-term state credits

could be granted. Quite omitted was the then **existing structure of town centres**, many of which have a rich and significant historic tradition. In the period mentioned above, houses were permanently deteriorating because practically no maintenance and necessary repairs were made. Thus the broad range of problems of the human settlements was very limited, and some possible solutions were only discussed by experts, without their opinions being given proper attention to. Thus a great number of historical town centres were devastated and “closed” in mass uniform construction of blocks of flats without any appropriate civic facilities.

Essential structural changes carried out after 1989 reflected themselves markedly also in the sphere of housing and the development of settlements. The problematic prefabricated large-panel construction as well as the previous form of financing were practically stopped. **Gradual, mutually interconnected, steps were made to create the basis for a new housing policy.** In the first place, part of the housing stock was restituted, i.e. a certain amount of rental houses were returned to their original owners (or their heirs respectively). Further essential changes were denationalization and privatization of the housing stock, launching of gradual liberalization of rents, establishment of a municipal housing stock (transfer of the formerly state flats into the ownership of the municipalities), introduction of building savings, foundation of a mortgage credit system, adjustment of the legal relations between the landlords and the tenants in rental houses, etc. These great changes had to be coped with, e.g. in restructuring the agenda of real estates surveys which are now being worked up by the land-registry offices. Acceptability of these measures could be ensured in a **corresponding ability to face social consequences.** The efforts of the appropriate state institutions are now concentrating on drafting a conception of the housing support system.

The presented national report concentrates **above all on issues of housing and its fundamental connections** with settlement development, environmental policy and the results of the economic transformation. Formally it departs from the syllabus of the "National Plan of Action" drafted by the Preparatory Committee HABITAT II. However, the requested data are included in this report. As far as the principles of sustainable development are concerned, the report derives from the conviction that the prerequisites for application of these principles are based on a systematic care of environment. These problems are discussed in a separate chapter.

The Ministry of Economy of the Czech Republic, whose competence also includes

matters of the state housing policy, has been entrusted to coordinate the participation of the Czech Republic in the conference HABITAT II. As gestor of the whole preparation, the Ministry has set up a **working group of experts**. Jan Wagner, Director of the Housing policy department, has been appointed its chairman. Its members are specialists, representatives of the institutions of state administration, non-governmental organizations, universities as well as the private sphere. The coordination of this national report has been made by the Ministry of Economy of the Czech Republic – the Department of Housing Policy. Sharing work on it have been especially the representatives of the Ministry of Foreign Affairs and the firm Terplan, Jnt. Stk. Prague.

Historic Core of Sušice



II. The General Development and the Present State of Housing

1. WIDER CONNECTIONS OF HOUSING

A. The Basic Macroeconomic Framework and Trends of Development

The Czech Republic is a democratic state with a consolidated constitutional system and a legal order based on civil rights and freedoms and pluralistic political representation in both Parliament and in the other elected self-governing institutions, as well as on the creating of modern market economy. The Czech Republic as an **independent state came to rise in 1993** in a constitutional way due to the birth of two sovereign states after the division of the Czechoslovak Federation.

In the year 1991 (still in the framework of the former federal state), the first steps were taken towards an economic reform prepared in the course of the year 1990 already. The government of the Czech Republic is proceeding in the transformation of economy by making system changes, especially the following ones:

- essential reforms of ownership relations by means of privatization and restitutions,
- a lot of privatization methods,
- liberalization of an absolute majority of prices,
- demonopolization and maximum deregulation of foreign trade,
- introduction of convertibility of the Czech currency,
- fundamental tax reform (since 1st January 1993), compatible with systems in advanced countries (including the value-added tax).

At the same time, the government ensures **macroeconomic stabilization**, particularly by currency and fiscal policy as well as by putting emphasis on antiinflation policy. Besides the legal social care (a new complex system has been in effect since 1st January 1996), the social consensus is also supported by periodic so-called tripartite talks – the government, trade unions, employers. The economic transformation is also accompanied by the following steps:

- creating market institutional infrastructure, just as it was the case with the changes in state administration,
- strengthening of municipal powers,
- establishment of the Czech National Bank as a central bank separated from the common banks and having the right of a bank supervisor,
- establishment of the Prague Stock Exchange,
- membership in important international economic organizations,
- association agreement with the European Union (the so-called European Agreement).

By the end of 1995, considerable success had been achieved in the transformation of economy of the Czech Republic. Predominating is the opinion that **the system basis of the market economy has already been created** and that the path to its completion, improvement as well as to liquidation of the surviving shortcomings is open. This conviction is based on the macroeconomic stabilization which leans upon the following:

- **stable currency** whose exchange rate has been steady since 1st January 1991, and a ba-

lanced (in the two past years slightly surplus) budget.

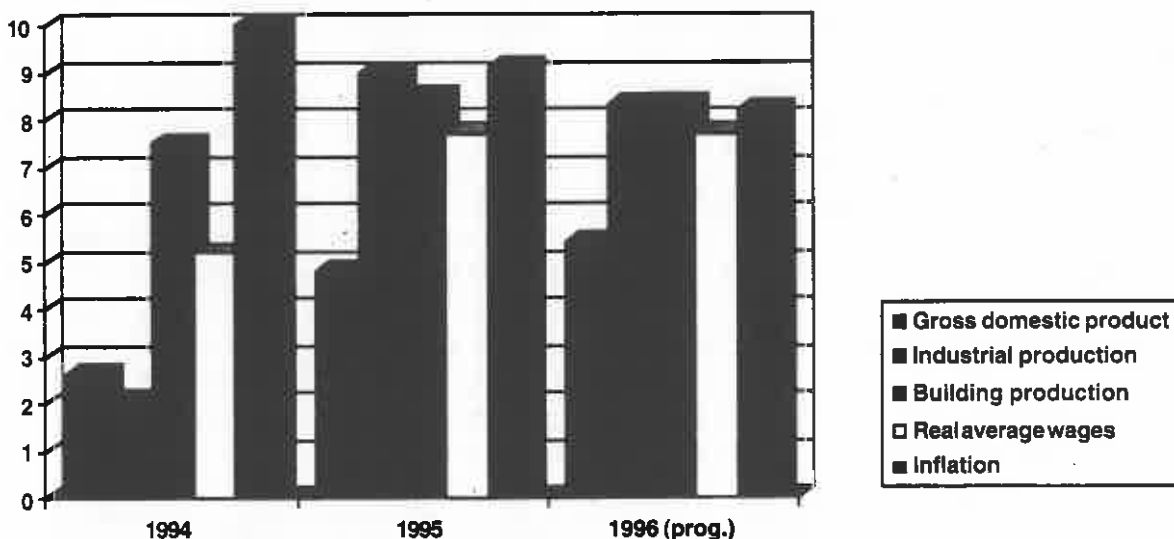
• relatively low rate of yearly inflation, which dropped from over 20% in 1993 to 10% in 1994 and to 9.1 in 1995. The prognosis of the Czech Statistical Office for 1996 expects further fall to about 8.6%.

The degree of privatization, measured by the share of the private sector in the gross domestic product, reached about 68% in 1994 and over 70% in 1995, and has the tendency of going on growing. **The rate of unemployment remains at about 3%**, the prognosis of the Czech Statistical Office being about 3.3%–3.6%. **The economic growth in the Czech Republic** (measured by yearly growth of the gross domestic product – GDP – in constant prices) increased, after the stagnation in 1993, by 2.6% in 1994 and in the year 1995 an increase by 4.8% was achieved. A similarly quick growth is expected for the years 1996 and 1997.

Increasing together with the growth of the GDP are, on the average, also real incomes of the population, including real wages. In the framework of the growth of the GDP, where it is consumption that is going up, also an accelerated growth of investments can be seen. Also the influx of foreign capital is growing, not only of direct investments whose cumulated value had exceeded 5.3 billion USD by the end of 1995, but also of the portfolio capital, foreign loans as well as short-term operations (often speculatives ones, unfortunately). At the same time, also foreign currency reserves are growing, reaching in convertible currencies 15.9 billion USD in the Czech National Bank and 17.1 billion USD in the whole bank structure by the end of 1995. A new foreign currency law from autumn 1995 extended considerably the degree of convertibility of the Czech crown (koruna, CZK).

Economic Development in the Czech Republic (growth in %):

	1994	1995	1996 (prognosis)
Gross domestic product	2.6	4.8	5.2
Industrial production	2.1	9.0	7.5–9.0
Building production	7.5	8.5	7.5–9.0
Real average wages	5.2	7.7	7.0–8.4
Inflation	10.0	9.1	7.9–8.4



The dynamic growth of household consumption is going on; in comparison with the year before, the growth was greater than 5% (in constant prices). The creation of fixed capital went up by almost 12% and the accession of supplies and reserves is more than double against the year before. The government consumption has decreased by 3%, which is in accordance with the long-term plan to limit state intervention in economy. **The economy is in the stage of recovery, which is based on the growth of the domestic demand in particular. The government of the Czech Republic expects long-term growth tendency together with real increase of the GDP also in the years to come. The functioning of the Czech economy will be approaching standard market economy.**

The macroeconomic development in the Czech Republic is determined at present by the following factors in particular:

- politically stable environment.
- beginning of the post-transformational period of the Czech economy characterized by a growing pressure on efficient functioning of the microeconomic elements.
- attractivity of the Czech economy for foreign investors showing itself in the influx of foreign capital.
- orientation of the fiscal and monetary policy at preservation of both the outside and inner macroeconomic balance and at elimination of inflation risks.
- improvement of the tax system by limiting the state intervention in the economic processes showing a smaller share of public budgets expenses in the gross domestic product, and a decrease of the tax quota with the state budget as well as the summary of public budgets remaining balanced.
- lasting social consensus owing to the quiet situation on labour market, to the growth of the real wages and to the economic output.

After the decrease of the industrial production in the years 1990–1992, the Government of the Czech Republic expects that the restored industrial growth will be of a long-term character. On the basis of the results of the boom research carried out by Czech Statistic Office, the development of industrial production, of the growing domestic demand and, last but not least, of the development of the growth of real labour productivity, the govern-

ment estimates that industrial production will grow by minimum 7% a year.

The long-lasting low unemployment testifies to the high absorption capability of the Czech economy on the one hand and to the adaptability of the labour force on the other hand. The present unemployment follows from partly professional and regional disharmony between offer and demand for labour force. The low unemployment is also one of the significant factors preventing a quicker increase of labour productivity.

In comparison with the year 1994, the growth of **household incomes** represents a nominal increase by 18%, real increase by 7.6%. Almost a half of the total volume of incomes are wages. Certain acceleration of the growth of the wages volume can be found both in nominal value and real value. The average nominal wages in "big enterprises" have grown by 17.2% against 1994. On the whole it is possible to say that further deepening of the wage differentiation can be found in all basic surveys available. The household expenses show a lower dynamics of growth than incomes. The nominal growth is 17%, the real growth is 7%. The development of the state of financial assets and liabilities (growth by 26.2% in comparison with the year before) is characterized by additions of deposits and cash in Czech currency while the state of shareholding and foreign-currency deposits has gone down. The total volume of savings (the share of Czech crown and foreign currency savings, cash and capital investments in available incomes) amounts to nearly 10% per year.

Besides some soft spots in the restructuring and management of industry, in property relations, in the shortcomings on capital market, housing construction and introduction of new technologies, also the worsening of balance of foreign trade and thus of the current account of the balance of payments have lately joined the **problems of transformation**. Even though these deficits are liquidated from the above-mentioned influx of capital and the rapidly growing import contains a potential contribution in the form of increasing share of technology, this problem is becoming a topic of discussions and negotiations about a better export-minded policy.

However, certain surviving problems do not cast doubt on the substantially **favourable**

economic development of the Czech Republic. Great international tribute was paid to the Czech Republic by the fact that in December 1995, after thorough analyses of the economy, **the OECD accepted it among the advanced countries as its 26th member**. This success does not mean in any way that the political as well as economic circles in the Czech Republic are not aware of the many shortcomings and gaps in the development of the Czech national economy, also mentioned in this report, some of which have also been mentioned in the OECD documents. Belonging there is also the housing construction.

** It is particularly the macroeconomic stability and the financial situation that gradually raise the appraisal of the credit and investment "conveniency" by specialized international institutions and improves its ranking and rating. For example, the London "Institutional Investor" improved the ranking of the Czech Republic from the 39th place in 1994 to the 30th place in 1995, while the other countries in transition are ranked between the 48th and 132nd places. The "Moody Investment Services" and the "Standard and Poor's Inc." have gradually increased the ranking of the Czech Republic to high investment degrees Baa 1 and A ("Economic Survey of Europe in 1994-1995", volume 47 p. 99). On page 200, the same publication appraised the positive qualities of the Czech Republic not only from the viewpoint of stable economy but of political atmosphere as well.*

B. The Impact of the Economic Transformation on the Population and Human Settlements.

B.1. Settlements

The Czech Republic occupies the area of about 79.000 km² and has about 10.3 mil. inhabitants. Most of the territory is at 200-600 m. a. s. l. The average density is 131 inhabitants/km². The climate is relatively dry, mild, the differences between summer and winter are relatively small.

The political changes in 1989 found a quick reflection not only in the development of the economic and social spheres, but gradually began to manifest themselves also in the development of settlements and all their functions.

Altogether there are more than 15.000 settlements on the territory of the Czech Republic, nearly half of which (48%) having less than 100 inhabitants, which makes about 3% of the whole population. **The great number of settlements results in relatively short distances between one another.** The number of settlements with more than 10.000 inhabitants amounts to 132 with 51% of all inhabitants li-

Municipalities according to Size:

Number of Inhabitants	Number of Municipalities	Municipalities %	Inhabitants in %
up to 100	522	8.37	0.37
100-500	3 205	51.43	8.21
500-1 000	1 250	20.06	8.46
1 000-5 000	993	15.93	18.95
5 000-10 000	130	2.09	8.75
10 000-20 000	67	1.08	9.14
20 000-50 000	41	0.66	11.43
50 000-100 000	18	0.29	12.30
100 000-1 000 000	5	0.08	10.61
over 1 000 000	1	0.02	11.79
Total	6 232	100	100

ving in them. The smallest unit administered by an elected council is the municipality. At the present time there are over 6,000 municipalities in the Czech Republic, almost 60% of them having fewer than 500 inhabitants.

Rural settlements are historically connected with agriculture. In the course of time about 3 types of rural settlements have developed:

- "Classical" rural settlements forming compact settlement units in areas comprising the necessary functions and institutions: a village has always been in the centre of all agricultural activities as well as of land and woods owned by its inhabitants.

- Rural settlements near bigger settlements whose inhabitants and the economic base share function within this "higher" structure with other settlements: this influences their functional as well spatial arrangement, including a shift of the economic profile from the primary sphere to the secondary one.



Typical rural house

- Scattered rural settlements situated, in particular, in the hills and mountains.

Like in all urbanized and industrially developed countries, towns **are the basic settlements in the Czech Republic** too. More than 500 towns have valuable historical centres. 35 towns have been declared as monument reservations and **four towns have been put on the UNESCO list of world cultural heritage** (Praha, Český Krumlov, Telč, Kutná Hora).

Czech towns have their own distinct identity following not only from cultural traditions, but also from the variety of natural conditions and architectural qualities. This is true even in spite of the insensitive interference in the construction of "large-panel developments" in the



Czech village square

course of the communist regime and despite the insufficient maintenance of old buildings. At the present time, the following trends can be seen:

- Economic and social revitalization of towns, especially in economically active regions. These towns will obviously attract inhabitants leaving the "old" industrial regions where production has been damped.

- Concentration of trade in town centres, extension of the tertiary sector and privatization of buildings lead to regeneration and revitalization of the centres; at the same time, this indicates a tendency to the depopulation of these parts and deformation of the social structure of inhabitants.

- Rapid growth of building activities in town centres, which reversed the process of their previous deterioration to such a degree that the value and authenticity of the historical buildings are sometimes threatened. Similarly consequential is the great development of tourism, which makes the historical centres and other monuments less attractive.

- The arising process of suburbanization in the two biggest towns – Prague and Brno – which sometimes even leads to devastation of the nature surrounding them and to enticement of economic activities as well as of well-off inhabitants away.

- The interest of foreign investors in the capital city of Prague, having sometimes even negative consequences such as deformation of the trade network, degradation of the ground floors, one-sidedness of the building program-

mes on the most demanded places, etc.: in this respect, Prague is not prepared for this "boom" sufficiently, for example in transport and in telecommunication infrastructure, safety in the town etc.

Also the situation in the sphere of **town planning** is complicated. Research made in the area of urban planning has shown that a number of towns have only revised urban plans elaborated under conditions of the previous system of planning, economy as well as ownership, and supporting an extensive development of towns. These plans do not reflect the real needs of future development and it is therefore necessary to make new urban plans or at least to update them profoundly. After the second communal elections in autumn 1994, the major task of new councils is very often to draft and approve a new urban plan.

B.2. Population

The on-going transformation of economic and social structures also brings, among others, fundamental changes of the reproduction behaviour of the inhabitants. The rapid drop of the birth-rate as well as of the death-rate markedly influence the age structure of the population of the Czech Republic, and in more distant future will very probably affect the number of inhabitants. **The extent and depth of the changes that have taken place in the Czech Republic in the past five years in the sphere of reproduction behaviour, have exceeded many of the demographers' assumptions.** There is not always direct correlation between the reproduction behaviour and the population policy declared. It is rather the behaviour that reflects the applied tax, price, housing, other policies, etc. More distant prospects of the population development of the Czech Republic are connected with the prospects of the overall social development and will certainly comprise even some international aspects, including international migration.

The population growth shows an ever decreasing natural population change. The year 1995 saw the lowest number since 1918. Since 1994 the natural population change has been decreasing, this trend not being balanced by additions brought by migration. The net reproduction rate in the Czech Republic has been

smaller than 1.0 ever since 1980. The number of emigrants has, since 1991, been lower than that of immigrants which increases every year.

The rise of the Czech Republic (due to the split of the federation) has been the weightiest event in the past years also for the population situation of the state. Demographic data ranks the Czech Republic into another category than Czechoslovakia was in. The differences between the demographic characteristics of the Czech lands and those of Slovakia were considerable. (The indexes for Czechoslovakia were essentially a weighted average of different data and did not express the reality of any concrete population.) Compared with the former Czechoslovakia, the Czech Republic is a different population formation. It is much more homogenous, the demographic indexes expressing the real population behaviour more exactly. After 1990, the regional differences of the population development within the state got surprisingly equalized. Standing outside the national average is only the population of the capital city of Prague and, in some indexes, also some regions. But it can be said that the population behaviour of the inhabitants of the Czech Republic shows only slight differences. **The Czech Republic is one of the few European states without numerous national minorities (if we exclude the specific case of the Romanies) and with a small number of foreigners – citizens of other states. It is also the only state in Europe that has fewer inhabitants than there were on its territory fifty years ago.**

The extensive type of demographic reproduction, typical of the European countries with the so-called real socialism, included a very high birthrate, high death-rate, high abortion-rate, high wedding-rate as well as high divorce-rate. In this sense, essential changes which can be found in all countries under transformation have taken place in the Czech Republic since 1989.

The inhabitants of the Czech Republic have not changed in their belief that a marriage is a natural part of young people's life. The decision of a man or woman not to marry and retain a "free" family status is still considered a bit peculiar. However, the outer conditions for weddings have changed – the economic pressure really makes the marriage candidates adopt more responsible considerations about

the consequences of a marriage. Thus the decreasing number of weddings is only natural and the year 1994 witnessed the lowest number of marriages. Despite the indisputable growth of the number of unmarried couples, other alternative forms are not by far as widespread as they are in western Europe.

Getting a divorce was easy in Czechoslovakia and was often used as a method for solving even commonplace domestic disputes. After 1989 the number of divorces has stagnated, getting a divorce is more difficult and made even more complicated by the necessity to settle disagreements affecting property rights. Only the divorce index has been growing. In 1994 it reached an almost absurd value, which could be put down to the decrease of marriages.

Characteristic of life in the so-called real socialism was social carelessness, absence of competition and, last but not least, also insufficient possibilities of asserting oneself in social life. In the apathetic society of the 1970s and 1980s, it was often the children and the care of them that became the only really available part of a possible full life. **The value orientation of people is changing** and the new possibilities of self-realization have shifted the children to lower positions in the hierarchy of individual values. **The considerable fall of the number of newborn babies has become one of the most characteristic features of the population development in the Czech Republic after 1990.** The decrease of realized fertility, which was the main cause, had been anticipated but nobody had expected it to be so deep. This indicates something about the extraordinary situation which is beyond any standard demographic prognoses. Against 1989, also the number of interruptions has dropped to more than a half. The immediate cause is the spread of modern contraception techniques whose availability is easier. A more general cause is the weakened will to become a parent.

In connection with migration, the adjective "illegal" has not disappeared but it expresses something quite different than it did before 1989 – instead of "illegal emigration" it is "illegal immigration" that has become a problem in the Czech Republic. Due to a set of measures, the use of the Czech Republic as a suitable place of transition to the countries of the EU has been considerably limited. It is a positive

phenomenon that no wave of "legal" emigration has come, which is typical of some post-communist countries. As far as the emigrants' returns from abroad are concerned, their number is relatively low. Spatial mobility of the inhabitants is small, much smaller than in the West-European countries, not to mention the USA.

According to the published prognoses until 2020, the population development will not probably lead to an essential change of the total number of inhabitants, but it provides conditions for a considerable natural decrease of the population after 2020. The growth of the number of census households shows a dynamic acceleration. In the years to come, this fact will noticeably influence the required structure as well as the pressure on the new housing construction.

C. Public Budgets and Decentralization of State Administration as well as of Self-government

The structure of self-government is still two-level one, i. e. Parliament and municipality. Since the rise of the Czech Republic as a sovereign state in the year 1993, no higher territorial administrative offices as mid-links in the self-governing arrangement of elected organs have so far been set up. Besides the self-governing activity according to the law of municipalities from 1990, the municipalities also exert transferred activities in the sphere of state administration. For the exertion of state administration there are "interlinks", the so-called district offices of which there are 76 altogether.

The system of public budgets (state budgets and the summary of local budgets) operate in the present Czech economy as a markedly **stabilizing factor of economy.** Surplus budget management is important for currency development (slowing-down of the development of the monetary macro-aggregate) and weakens the inflation influence of the growing domestic demand. The growth of public expenditures (111.2%) as well as of incomes (114.4%) is lower than that the gross domestic product in current prices (116.3%). The share of the public budget expense in the GDP dropped to 41.3% in 1995 when compared with 1994 (43.2%).

In order to achieve the **optimal proportion-**

ality between the growth of the volume of the state budget and the local budgets, it was necessary to find suitable tools. Since 1993 the municipalities and district offices have applied a new system of financing, responding to the changed political and economic conditions. Defined in the system were the following basic aims:

- strengthening the financial self-sufficiency of the municipalities (increasing the share of their own incomes in the total income volume) and thus also increasing their responsibility for their own economy and for the development of the territory administered.

- decreasing the dependence of the municipalities and the district offices on subsidies from the state budget.

- making the stabilizing character more marked, especially in the resource basis, and creating conditions under which the municipalities could work up conceptions of the development in their territory for a longer period.

- extending the range of the municipality's own incomes by such resources that will help to strengthen the relations between the economic development of the municipality (district) and the dynamics of the overall development of economy in the Republic.

- keeping up the balance of the local budgets.

The basic tool of achieving this was to transfer some selected state taxes into the local budgets, which was carried out in connection with the introduction of the new tax system on 1st January 1993. The incomes of the municipalities consisted in the following items:

- 100% of the income tax revenue of entrepreneurial activities of natural persons.

- 100% of the revenue of the real estate tax.

- revenue of the income tax of natural persons from dependent activities, in which also the district offices participated,

- since 1994 the income tax of legal persons in cases when it is the municipality that is the taxpayer.

After these measures had been taken, the degree of self-sufficiency increased from about 24.7% in 1992 to the expected 79.6% in 1995. However, some shortcomings appeared in the system introduced which could not be identified before. They were especially the following two problems:

- The dynamics of the income tax in the state budget was markedly lower when compared with the local budgets. If the amendment of the budget rules had not been introduced, in 1996 the tax incomes would grow by 94.7% in the case of the local budgets, but only by 20.2% in that of the state budget.

- The difference between the "rich" and "poor" districts is increasing (in their tax revenue per inhabitant), even in spite of the fact that the urban equalizing subsidies have been applied.

Therefore a law was passed in 1995 which changed and complemented the rules of managing the budget means of the Czech Republic and municipalities. **The aim of the new budget allocation of tax revenue** between the state budget and the local budgets is the following:

- to ensure a narrower interconnection and particularly equalization of the flow of the tax revenues into the state budget as well as into the local budgets.

- to reduce the tax revenue differences between the "rich" and "poor" districts.

- to advantage those municipalities which have enterprises and the financial (tax) office of the taxpayer settled on their territory; this regulation should be a motivation stimulus for creating conditions for all types of entrepreneurial activities to settle in suitable districts.

Thus both the state budget and the local budgets have been participating in some state taxes since the beginning of 1996. It is mainly the income tax of natural persons from dependent activities where the share of the municipalities in this tax has decreased from the previous 55% of the national yield to 30% (70% in statutory towns). A new income for the municipalities is the revenue from the income tax of legal persons, namely 20% of the national tax revenue. The taxes going to the municipalities are divided according to their numbers of inhabitants, i. e. to what part of the total number of the inhabitants of the Republic they make. A new system of local taxes to be in effect from 1997 on is being prepared which will supplement and deepen the already launched conception of municipal financing.

A permanent part of the public budgets is the support of small and medium enterprising activities as well as support of the development of municipalities. On the basis of the state

Change of the tax revenue rate for municipalities:

	Index 1996/1995
Income tax of natural persons from dependent activities	64.5
Income tax of natural persons from enterprising activities	102.4
Income tax of legal persons	—
Tax from real estates	100.0
Total tax of municipalities	121.3

programmes of support declared by the Ministry of Economy, a specialized bank (the Czecho-Moravian Guarantee and Development Bank) pays the entrepreneurs certain financial means, mostly in the form of partial refund of credit interest. The conditions of this form of support are published every year and declared in the form of several programmes orientated at making the "start" easier for small entrepreneurs, as well as at stimulating enterprising activities in selected areas ("problem" regions, historical town centres, etc.). A usual condition of getting this state support is to get a credit from a bank; the interest on this credit is then partially paid by the state. Another condition is to provide guarantee to an entrepreneur in negotiating credit conditions in a financial institution.

In 1990 (after the fundamental political change from a totalitarian state into a democratic one) the first free communal election took place and **local assemblies** were elected whose powers had been laid down by a special law. The municipal assembly has complete and sovereign powers to influence the development of the territory of the municipality, to make decisions about the municipal budget and about how to dispose of the property of the municipality. This fundamental change and the rise of real local self-governing were often accompanied by changes of the form of the local authorities, including exchange of the personnel. In 1991, the powers of the municipalities were strengthened, among others, by free-of-charge transfer of the formerly state flats into the ownership of the municipalities on the basis of a special law.

2. DEVELOPMENT AND THE PRESENT CONDITION OF HOUSING

After the fundamental political and the following deep economic changes started in 1990, one of the most discussed questions and problems was housing in the Czech Republic.

In the years 1948–1990, the private sector got gradually limited to the construction of one-family houses. In the 1950s and 1960s, practically all blocks of flats owned by private owners **were gradually expropriated**. For the management of these state rental houses, the

state established independent institutions (the so-called housing organizations). These state organizations were also entrusted with the administration of all newly built state blocks of flats. These were built only by the state or by housing cooperatives. The latter were, however, under sharp supervision by state and political power just as the other "non-governmental" institutions were. The flats in the state rental houses were allocated by the local office

of state administration, political criteria often playing a great role in this respect.

For a long time the rents represented a **symbolic payment not covering the real needs of running and maintaining** these state blocks of flats. The rents were calculated in 1964 on the basis of the then valid price relations and eco-

nomical circumstances, and remained unchanged until 1991, even though both prices and incomes had been gradually rising. Although the government gave the state housing organizations large subsidies from the state budget, the state housing stock was hardly maintained and repaired, and thus deteriorated more and more.



Rental houses in Prague



Single-family houses

A. Development and the Present State of the Housing Stock

A.1. Quantification of the housing stock

The number of dwellings in the Czech Republic has been rising all the time in the past thirty years: from 2,845 thousand of flats in 1961 to 3,706 thousand in the year 1991. Most dwellings were built between 1970 and 1980, in the next decade the volume of construction was smaller. In 1990 there was a deep fall of the number of dwellings whose construction was started, because within the transformation changes the central and state controlled system of subsidizing the housing construction was abolished. In particular, it was the much criticised mass construction of large-panel houses in new developments that was stopped. New measures to support the housing construction are only now being introduced. Nevertheless, the slight increase of the volume of housing construction of flats in 1994 and 1995 suggests that the critical period in this sphere might have been overcome. Against the year 1994, the number of flats whose construction was started in 1995 rose by more than one third. The year 1995 was the second year to witness an increased volume of newly started housing construction after the great stagnation in the preceding three years.

The total volume of the new housing construction differed considerably from the net addition of dwellings. For example, in 1970–1980

the net additions only amounted to 50.9% of the total number of dwellings completed, in 1980–1991 it was only 41.0%. The causes of such a high **decrease of the housing stock** were different. It was partly the question of old, qualitatively inconvenient dwellings being written off, and partly of demolishing residential houses during the reconstruction of some town quarters. Some dwellings were temporarily uninhabited for administrative and legal reasons, e.g. the change of the owner, but in most cases the reason was to utilize the residential space for other purposes, especially for a temporary recreational stay. After the transformational changes (since 1990) the interest in changing flats for business and administrative purposes has risen markedly. It is especially in the centres of big towns that the volume of dwelling spaces has decreased considerably. It is therefore necessary to take some regulating measures against these trends. **In 1991 there were in the Czech Republic more than 371,000 permanently uninhabited dwellings, i. e. about 9% of the total number.** Only a small part of them can, in a relatively short time, be returned to their former use, i.e. permanently inhabited dwellings. (They are mostly dwellings in inheritance or other property-legal proceedings, shortly after the housing inspector's approval, etc.)

In the period followed, **the number of households per dwelling was decreasing**, from 1.13 in 1961 to 1.09 in 1991. Moreover, **the number of the members per household went down**, while the size of the living space went up so that the resulting effect is more noticeable than the

The number of permanently inhabited dwellings (in thousands):

	1961	1970	1980	1991
Municipalities up to 1 999 inhabitants	943	916	927	885
Municipalities from 2 000 to 9 999 inhabitants	525	560	642	667
Municipalities with 10 000 and more inhabitants	1 377	1 613	1 926	2 154
Prague	371	403	449	496
Total	2 845	3 089	3 495	3 706

The number of completed dwellings in the years 1961–1994:

	State and Municipal	Cooperative	Enterprises-owned	Single-Family Houses	Total
1961–1970	161.982	237.904	46.525	79.297	525.708
1971–1980	176.713	260.796	169.386	214.410	821.305
1981–1990	126.429	222.267	32.607	170.682	551.985
1991	9.889	19.489	1.915	10.426	41.719
1992	7.180	15.096	1.621	12.500	36.397
1993	6.213	9.606	1.374	14.316	31.509
1994	4.224	5.601	964	7.373	18.162
1995	3.298	1.176	775	7.413	12.662
Total	760,829	778,057	259,664	575,148	2,373,698

Net additions of dwellings in the years 1970–1991:

1970–1980	1980–1991
406.009	210.835

above partial data. **The number of the census households increased** from 3,241 thousand in 1961 to 4,052 thousand in 1991, which is connected, among others, with the decreasing number of the members of one household.

The average size of a census household in 1961 was 2.98, while in 1991 it was 2.55. This decrease was not uniform in the whole state. The smallest number of the members of a household is to be found in Prague, then follow towns with more than 10,000 inhabitants. The most numerous families can be found in towns with 2,000–10,000 inhabitants. In the smallest communities with under 2,000 inhabitants are small households with mostly old people because young people leave villages and go to towns.

The number of inhabitants in 1961–1991 (in millions):

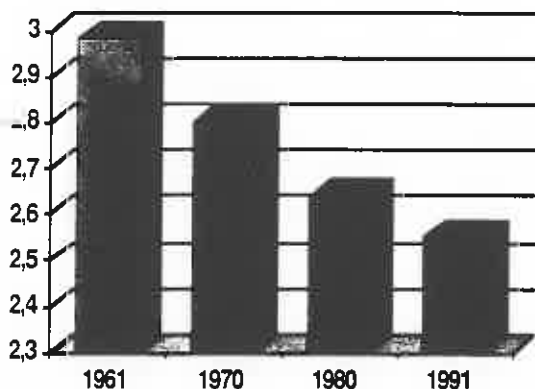
	1961	1970	1980	1991	1994	1991/1961
Total	9.572	9.808	10.292	10.302	10.334	1.076

The number of census households in 1961–1991 (in thousands):

	1961	1970	1980	1991	1991/1961
Total	3.241	3.503	3.876	4.052	1.250

The number of census households (number of members) in 1961–1991:

	1961	1970	1980	1991
Total	2.98	2.80	2.64	2.55



A.2. The quality of the housing stock

The average **quality** of the housing stock has been **improving** in the course of time. The age of the housing stock went down considerably. The oldest residential buildings were either modernized or pulled down, mainly in connection with reconstruction or area clearance in some town quarters. The average age of the

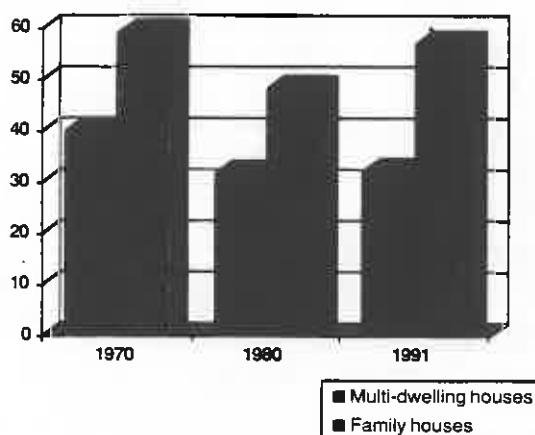
residential houses fell from 50.1 in 1970 to 42.4 in 1991.

The average size of dwellings went up gradually. The total floor space of a dwelling was in 1991 25.5 m² per person on average. Also the number of persons per room of a dwelling went down, from 1.5 in 1970 to 1.4 in 1991. This data is a bit misleading because there are flats with too many people on the one hand, and at the same time a lot of flats are utilized minimally, mainly by pensioners. The measures taken in the sphere of housing policy and the gradual extension of the housing market are expected to remove these discrepancies.

The **quality** of the housing stock has increased. According to the conveniences, flats are divided into four categories: from the first category, which includes flats with all conveniences and facilities including central heating, to the 4th category where there are flats without the basic equipment – i.e. bathroom and toilet – inside the flat, and with local heating. Substandard flats of the 3rd and 4th categories have almost disappeared. In connection with the on-going modernization of historically or otherwise valuable residential buildings and with the reconstruction of some town quarters,

The average age of the housing stock in 1970–1991:

	Multi-dwelling Houses	One-family Houses	Total
1970	39.9	59.0	50.1
1980	31.8	48.3	39.4
1991	32.2	56.9	42.4



including the subsequent clearance of tenement houses of bad quality, the remaining substandard dwellings could be got rid of very quickly.

Together with the improving quality of the housing stock also modernization of the technical infrastructure is going on. At present we can state the following:

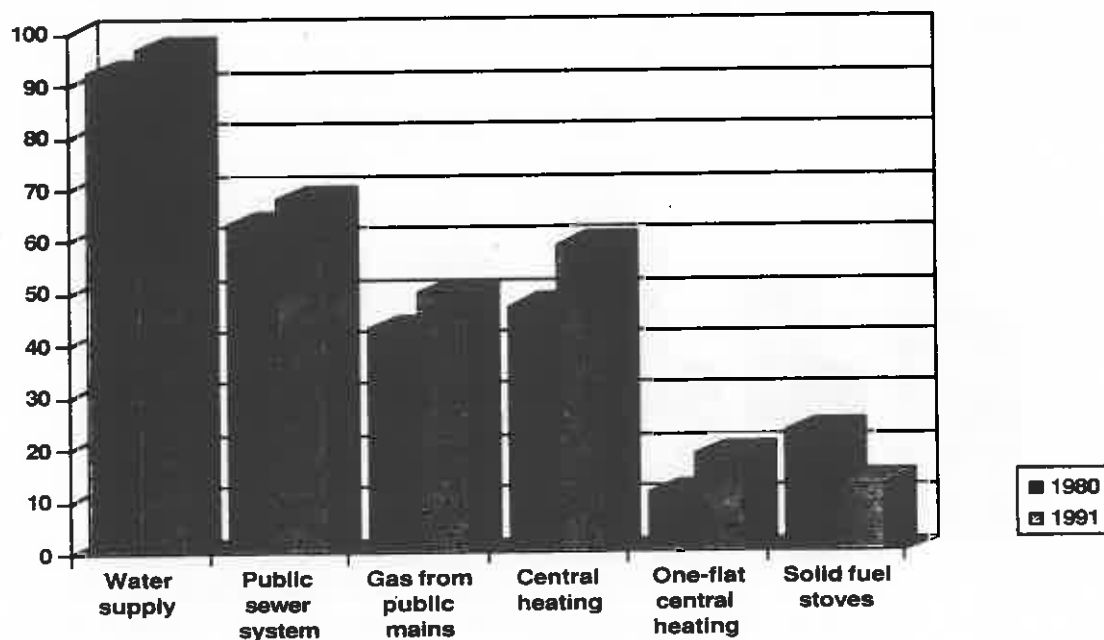
- Water supply has been solved almost 100%, with the remark that in 1993 84.7% dwellings were laid on public water mains. The

Average size of permanently inhabited dwellings in 1970 and 1991:

Type of building	Number of rooms (min. 8 m ²) per dwelling		Total floor space (m ²)	
	1970	1991	1970	1991
One-family houses	2.24	3.18	68.3	85.8
Multi-dwelling Houses	1.94	2.29	55.7	59.8
Other houses	1.84	2.22	62.0	65.0
Average	2.10	2.66	62.6	70.5

Technical equipment of dwellings in 1980–1991 (in %):

	1980	1991
Water supply into the dwelling	92.4	96.9
Public sewer system	63.2	68.1
Gas from public mains	42.9	50.0
Central heating	47.1	59.0
One-flat central heating	11.3	18.6
Solid fuel stoves	23.0	12.9



Quality categories of the housing stock in 1970–1991 (in %):

	1st category	2nd category	3rd category	4th category
1961	8.4	19.0	16.6	56.0
1970	24.0	28.5	13.8	33.7
1980	47.0	29.7	9.1	14.2
1991	69.9	21.4	3.7	4.9

remaining housing stock gets water from private wells or other pumping equipment.

- Heat supply is being changed into modern, more ecological forms of heating – see state support programmes.

- The extension of the system of sewers is going on more slowly. The data in the table does not include flats which have a separate toilet and the purification is carried out in a separate septic tank.

B. Starting Points in 1989

In spite of both the quantitative and qualitative increase of the housing stock standard, the problems of the housing stock have not been solved completely in the past period:

- There were a great number of people whose demands could not be met. The very low rents in municipal flats did not provoke a **stimulus to have more economical housing.**

Due to the high investments in new housing construction there was a shortage of finances necessary for the maintenance and modernization of the old housing stock.

- Because of the low rents the large sector of communal housing management had to be considerably subsidized from budgets. Members of housing cooperatives had to share the

Typical prefab large-panel residential building of the seventies



high costs of housing construction and also further regular payments (for operation, maintenance, instalments, annuities) were substantially higher than rents in municipal flats. Owners of single-family houses had to pay almost all construction costs (the extent of subsidies was relatively low) as well as all costs on repair and maintenance. This **uneven financial load on the users** of the housing stock did not correspond to their social status – practically households of all income groups lived in municipal flats with very low rents. Preferred in allocating flats were people working in certain branches, a frequent reason often being the political position. Also allocation of cooperative flats was under political supervision, so despite “the place on the list” some applicants had been waiting for a cooperative flat for as many as 20 years.

- The mass construction of big rental houses included a lot of **prefab large-panel construction** which shows many defects and shortcomings raising the cost of operation and the necessary repairs.

- The necessary **protection of agricultural land** became a fetish preventing dislocation of new housing construction in areas desirable from the urban viewpoint. It is a paradox that it was often the question of areas with less fertile soil. Protecting the agricultural land under all circumstances, substantiated by the necessity of autarky in ensuring food, led to specification of binding indexes of minimal density of inhabitants for housing construction. The consequence was too great a density in the new housing developments, without any consideration of their aesthetic, environmental and hygienic values being taken into consideration.

- The relatively extensive new housing construction was accompanied by a **considerable decrease of the housing stock** caused in particular by the neglected maintenance and rapid deterioration of the blocks of flats. The number of net additions to the housing stock was about 2% a year between the 1960s and the 1980s.

- In spite of the extensive mass housing construction, mostly in the form of standardized prefab houses often of a poor quality the **shortage of dwellings had never been alleviated** in the Czech Republic in the period mentioned above.

C. Consequences of the Ownership Changes in the Sphere of Housing under the Conditions of Economic Transformation

Transition from the centrally planned system to a market system includes a gradual process of **changes not only in legal, institutional and organizational spheres but also changes in the behaviour of everybody** involved in this process. The still existing practice confirms the complicated multilateral relations of these processes in the sphere of housing. Nevertheless, some gradual steps make it possible to control them proportionally, with the support of adequate social consensus of the inhabitants.

C.1. Ownership relations to residential houses

After the year 1989, extensive **restitutions** of the state property were started according to, above all, political decisions, when a great number of rental houses were returned to their former owners or their heirs. In the years 1990 and 1991 five laws were passed of unpaid-for transfer of property to their original owners (or their heirs respectively). These laws concerned the property confiscated in an administrative way and that given over to the state under disadvantageous conditions, as well as some church property, agricultural farms, etc. These restitutional acts were the first fundamental changes in the ownership relations in the sphere of housing which were started after 1989. The restitutions concerned the housing stock built before the year 1948, especially rental houses (ex-

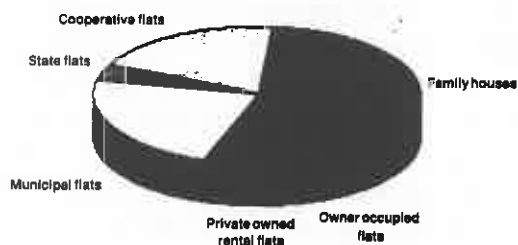
Classical rental houses in Prague



ceptionally one-family houses). The result of this significant change in the ownership relations is that about **10% of all dwellings are in private rental houses**. This relatively small part, however, represents a clear majority of the housing stock in the historical parts of towns.

Ownership structure of the housing stock in 1995 (in %):

Private sector	54
Family houses (owner-occupied)	42
Multi-dwelling houses (rental)	10
Owner-occupied flats	2
Public sector	46
Municipal flats (rental)	23
State flats (rental)	4
Cooperative flats	19
Total	100



C.2. Relations between landlords and tenants

The changes in the ownership relations got also reflected in the right to using flats. Under the law of flat management approved in 1964, one family was only allowed to use one flat, the maximal possible living area per inhabitant being defined. If the area was larger, a higher rent was paid or even a notice was given to the tenant. State-owned flats were allocated by a decree of the appropriate office of state administration. It was possible for the state institution to issue such a decree even for a flat in a family house belonging to a private owner provided it was not occupied. This has been changed above all by a **basic amendment of the Civil Code**, effective since 1st January 1992, which made the law of housing management void

and modified the tenant-owner relations by a civil law. Another essential change was the passing of a law of flat ownership in 1994, which enabled free sale and purchase of individual flats in a block of flats.

The right to using a flat follows from the contract of lease, a written document which the tenant and the owner of the house conclude. The conditions of terminating this right are given by the contract as well as by the relevant regulations of the Civil Code. This Code stipulates under what conditions the owner can give a notice and in what cases he must find a substitute flat for the tenant. On principle, **the owner of the house can only give a notice with the consent of the court**. The reasons for the notice can be substantiated by a need of the owner to have a flat for himself or his nearest relatives or to extend some adjoining non-residential spaces for business or other entrepreneurial activity, or if it is necessary to make an overall reconstruction of the house, etc. In these cases the tenant who has been given the notice has the right to a compensatory flat. If the reason for a notice is given by the tenant, he must usually be given only compensation in the form of a one-room flat, a hostel or a house for unmarried people, a sublet, or just a shelter (provisory accommodation till he finds substitute accommodation, or a flat and premises for storing his furniture). A reason for a notice may be disrespecting the good manners in the house (gross breach of proper morals in the house), not paying the rent for a period of at least three months or if the tenant has two or more flats, or if he does not use the flat without a serious reason. In such cases there is only the right to a shelter.

The amendment of the Civil Code from December 1994 extended a little the range of reasons for giving a notice, it even admits a substitute flat of a smaller size. At the same time it responded to cases when the owner of the house had tried to "drive out" the tenants by illegal means (it mainly concerned restitutions). In spite of the new legislative measures there occur sporadic cases of illegal curtailing the housing, including shutting off water, heat, electricity, exchanging the locks, etc. But these excesses are judged and treated as criminal acts. On the other hand, it requires a long time to solve notices given to tenants who provide all reasons for terminating the contract. The grounds for this are the overloaded courts or the actual impossibility to find a substitute flat or even a shelter for the tenant.

C.3. Gradual liberalization of rents

A very complicated and politically sensitive question is gradual deregulation of rents, which had been **unchanged from 1964 for more than a quarter of a century** and lagged considerably behind other prices which rose in the course of that period.

In the centrally planned economy the rents were fully regulated. As the inflation was going on in the last decades, the rents did not change and therefore covered a smaller and smaller part of the cost of repairs and maintenance. That required large state subsidies to cover the losses of the housing economy. One of the prerequisites of market economy is to balance the rents with the market price of this kind of service in order that also investments in the housing stock could bring similar profits as investments in other branches. This is the only possibility of creating the necessary condition for the private sector to effectively participate in the housing construction. However, at the present time the private sector is only aimed at building flats for sale, predominantly in the form of single-family houses and flats for individual owner-occupation.

The number of flats with regulated rents has been gradually getting smaller since 1992. Originally the regulated rents concerned all flats with the exception of cooperative flats. The payments for the latter (built by building housing cooperatives after 1959) were high enough to cover all expenses on repairs, maintenance and management. However, these expenses did not include amortization. That means that payments for cooperative flats used to be substantially higher than rents in state flats whose management was subsidized from the state budget.

After 1989 rents were raised for the first time on 1st January 1992, which meant a raise of the net basic rent by 100%. It was on the same day that also the prices of consumer goods were liberated, so the great raise of rents did not much change their relation to other prices. The first of January 1994 saw a further raise of rents by about 40% on the average. At the same time the range of flats not touched by this regulation was enlarged. Thus against 1989 the net rents in most rental houses were raised to about 280%, which roughly approached the index level of consumer

goods. Also payments in cooperative flats grew due to the increased expenses, but the pace was slower than in flats with regulated rents, so their level had become comparable by 1993. However, a much quicker pace than that of the net rents could be found in services, above all in water supply and heating. From 1989 till December 1994 water- and sewerage-rate rose about 17 times, house services 8 times, heating and hot water 5.7 times, gas 2.6 times, electricity 1.9 times. Thus the total expenses on housing grew faster than the index of consumer goods.

Towards the end of 1994 the government decided to introduce a **system of gradual liberalization of rents**, and proposed the "speed" of this liberalization and at the same delegated the power of deciding a concrete "pace" of deregulation of rents in their area to the municipalities. The government also proposed that the growth should be differentiated according to the size of the settlement (by means of coefficients). That means that the fastest growth was proposed for the capital city of Prague, followed by further big towns, etc. If the recommended government "speed" is accepted, **the basic rents are expected to achieve the height necessary to cover the operation, maintenance and repairs of a tenement house in about five years.** In 1995 the rule regulating the rents was adjusted so as to enlarge the range of rental houses where rents can be determined in a quite liberal way, i.e. only on the basis of a mutual agreement of both parties.

Besides the above mentioned cooperative flats, the rent regulation does not relate to the following categories of flats:

- Legal entities resident outside the territory of the Czech Republic and natural entities with domicile outside the Czech Republic;
- Flats and houses built without any contribution from public means, which have been approved after 30th June 1993;
- Flats where a contract of lease is closed with a new tenant, with the exception of a legal transfer of the tenancy, exchanges of flats, housing substitution and army flats;
- For Flats whose construction was permitted after 30th June 1993 and which were partly financed from public means, the month rent is determined on the basis of the actual cost + multiple $k = 0.00375$. Similar procedure is taken with flats reconstructed after the above date where the actu-



New housing construction in Prague

al cost of the reconstruction is multiplied by the same coefficient. This rent, however, must not be higher than treble the rent set down for the other flats with controlled rents.

C.4. Privatization of the housing stock

The first step in denationalization of the housing stock were restitutions started in 1990. On the basis of specific laws the original owners or their heirs got back the realties that had belonged to them until February 1948 (the date of the communist coup d'état). At the same time this restitutional step was actually the first step to privatization.

By a specific law, passed in 1991, the state transferred all rental houses that were not objects of restitutional proceedings **to the municipalities as their property**. Thus they became owners of a relatively large housing stock which they can utilize quite freely, i.e. without any state intervention, including any kind of lease or sale. Decisive in this sense is only the decision of the appropriate local municipal assembly. The municipalities own almost a quarter of all flats in the Czech Republic. For disposing with their own property, most municipalities prepare their own housing policy on the basis of which they proceed in deciding the way and character of disposal with individual municipal houses.

In view of the great disrepair and the neglected maintenance of the houses they got from the state, most municipalities also include into their housing policy proposals of privatizing part of the housing stock, but they want to keep certain part of flats in their ownership – mostly 15–20%. **In privatizing their housing stock the municipalities mostly proceed in such a way that they preferably sell these flats and houses to the present tenants at a markedly reduced price.** The reasons for such reductions largely follow from the high “inner debts” of these houses caused by the lack of regular maintenance and repairs for a period of several decades.

Municipal houses are transferred into private ownership on the basis of the decision of the municipal assembly. It determines how many and which houses and flats will be offered for this transfer and under what conditions. It is possible to privatize the whole house as well as indi-

vidual flats. The prices of flats, or houses respectively, are mostly derived from the prices stipulated by an official decree, but with differing reductions. The stipulation of these prices is also within the powers of the appropriate municipality. Usually, they are lower than 20–25% of the price of the construction of a new house of a similar quality. The growth of rents influenced the municipalities in their look upon the privatization of the communal housing stock. With the rents being so low, the managing of the housing stock brought a great burden on the local budget. This made a number of municipalities get quickly rid of as much of their property as possible. As the regulated rents grow, also the situation changes. The housing stock even brings some income into the budget, especially in cases when there are some non-residential spaces in the block of flats (shops, offices, etc.). Regulations for the privatization of the housing stock in the city of Prague count with at least 20% of the housing stock to remain property of the town, preferably houses of a good quality in which there are also facilities for school, cultural, health and other services and which have common heating systems with other houses, or are adapted for disabled people, but also houses in which there are at least 15% of spaces for commercial use that would create incomes for the town.

Privatization of cooperative flats observes other regulations, i.e. transfer of these flats into the ownership of the members of the cooperative who live in the flats. About 70–80% of the members of the housing cooperatives showed interest in the transfer, but the estimate says that the transfers effected by the end of 1995 only represent a small percentage of the total cooperative housing stock. The transfer has its advantages and disadvantages. The member of a cooperative pays for the transfer only that part of the bank credit on the construction that has not been paid back yet, then for an aliquot part of the price of the land and the fees for the transfer. A serious problem is the land, in particular in cases when the right to restitution has been applied. Here it depends on an agreement between the owner of the house (the cooperative) and that of the land. In 1995 the government managed to “set” the price of the land owned by the state, namely by selling it at a price assessed by an authorized expert or by means of an interest-free loan

under stipulated conditions. These questions made the transfer slower for those members who had handed in an application by the end of 1995. A vast majority of applicants, however, have chosen a later date for the transfer or have not determined it clearly. According to the regulations valid at the time of construction, the cooperatives pay only 1% interest on the credits not paid back yet.

D. Availability of Housing

The liberalization of prices connected with housing is one of the most sensitive questions in the whole process of transition to market economy. The net basic rents (i.e. just the payment paid to the owner of the house for using the house space, without services, without heating, etc.) represented in 1995 on the average 3,69 % of the mean net income of an average household. If the increase proposed by the government is approved, it will be 4,16 % in 1996. **The total expenses on housing in rental houses with regulated rents amount on the average to 14,6 % of the net income of an average household.** Thus the housing expenditure represents a relatively low burden on the family budget. Czech households, however, must spend relatively high percentage of the family incomes on food – about 33 % (in comparison with 15–20 % in the EU states).

The process of adaptation of the socio-economic system to standard market economy which started in the Czech Republic at the beginning of the 1990s, has of need brought with itself changes of the role of households in society and economy as well as in the extent and the character of their income distribution. As regards incomes, they show the following fundamental characteristics:

- Income distribution is getting clearer and clearer. Instead of the vague flows within the state budget and the all-covering “tax” categories (as was the wages tax), distribution is getting gradually separated from redistribution by means of **clearly formulated** taxes, contribution and duties.

- Individual resources of incomes of a household **are changing their proportions**; the share of earnings from dependent activities is going

down whereas the share of incomes from self-employment and entrepreneurial activities is slowly rising. At the same time, the total share of a household's incomes from social allowances is growing smaller and the total share of a household's incomes is rising.

- The **inequality span bracket in the income distribution** is getting wider, whether from the standpoint of total incomes of a household, income per person or income per consumer unit. The growth of inequality mostly concerns the highest income category.

- Also the factors of the income differentiation are changing their proportions: the previously suppressed “economic” factors (education, qualification, profession) begin to outweigh the “demographic” ones (age, size and composition of the household).

The subjective acceptability of the total cost of housing is influenced by the socio-economic factors of the overall social transformation. As can be seen from the attitudes ascertained, the public is very **sensitive to the retreat of the state from its involvement in the sphere of housing.** Subjectively, the cost of housing represents a considerable financial burden on households and there are no indications among people towards a positive turn in the assessment of the situation. On the other hand, it is also in the sphere of housing that some socio-differentiating trends begin to emerge, indicating a potential necessity of the activity of market forces. The housing market, however, also has its social aspect which is absolutely dominating in people's attitudes. The state intervention to the benefit of the weak seems to be more important for a great part of the public than introducing market conditions. (Nevertheless, a not negligible number of the present tenants are thinking of buying the dwelling unit they and their families occupy.) Thus the problems of the total cost of housing appears to be a broad and complex socio-economic theme. **At present the average price of a new standard flat represents an equivalent of ten years of average net wages, in case of a cheap one-family house it is 20 years.** This “abyss” enables thinking of buying a new proprietary type of housing for about 5–10% households with the highest incomes, in the case of a long-term mortgage with a state support for about 17–19% households.

The results of the inquiry into the expenses on

housing according to the types of household in various forms of housing, can be summed up into several elementary theses:

- The problems of housing in the Czech Republic are influenced by the total burden of the economic reform on the inhabitants and the "pseudopaternalistic" residua from the previous regime, which are the main sources of the **sensitivity of the inhabitants** to these problems penetrating through the socio-political spectrum of society.

- After the specific influences have been filtered away, the subjective perception of the present cost of housing depends on the socio-economic status of the respondents – **pensioners and young families** are a considerably sensitive social group.

- The subjective willingness to bear further increases is considerably limited – lower socio-economic strata are subjectively (and sometimes even objectively) almost unable to cope with further rise of the expenses in the nearest two years.

- From the point of view of the state, privatization and making the housing stock marketable is a complicated matter, for the **expectations of a greater or smaller intervention of the state** in the flat market for the benefit of the present tenants are considerable.

- Nevertheless, the question of privatization of the flat which the household occupies now concerns a great part of the population (in an inquiry it was 60% respondents), about half of them showing potential interest in the purchase.

- An important motive for owning a flat is the possibility to dispose of it in any way, which may mean a **positive phenomenon** for making the housing market function. But it is not possible to omit the fact that the fear of getting a notice to quit from the future owner and of the growth of rents also plays a not negligible role in decision making.

One of the basic housing policy instruments is the **housing assistance system for low-income families (housing allowances)**. The basis of this system was laid down in 1993 by introducing assistance to low-income households living in rented flats: households whose net monthly income did not exceed 1.3 multiple of the subsistence level sum (which is determined by the government every year and follows the growth of the cost of living). This year this form of social

support has been extended to further recipients – within the framework of the new law of state social support, a housing allowance system was introduced. Recipients of this housing allowance are all households whose incomes do not exceed the 1.4 multiple of the subsistence level.

Both the conception and practice of the state social assistance system are regularly subjected to criticism. People speak about a financial crisis (permanently rising expense on better and better social security of the permanently growing population), institutional crisis (growing distrust of the inhabitants to the efficiency of the state social sphere), and also about a legitimacy crisis: what equity do we actually need and what equality can we really afford? Does the social system really fulfil the function it is predetermined for – removal of extremes, liquidation of poverty, introduction of social justice? Is the price paid in the form of destimulating effects, which the progressive taxes and social allowances have on employment opportunities and investment behaviour, not too high?

E. Legal Framework of Housing

After the fundamental political and economic "turn" it was necessary to reconstruct the legal framework in all spheres. In the sphere of housing, however, the situation of legislative changes is more complicated, also due to the social and psychological aspect, among others. Fundamentally adjusted were the Civil and Commercial Codes, including the operating regulations; further it was the property relations and rights (restitutions, municipal ownership) that were adjusted in an essential way. In this connection it should be mentioned that the Czech Republic has signed an **association agreement with the European Union**. One of the most important tasks following from this agreement is the adaptation of the legal norms and economic policy to the situation and development in the European Union. In the Czech Republic this activity is controlled by a special committee with the Prime Minister at the head.

Some **new laws** have been passed after 1989:

- **Act on the Housing Ownership** from 1994 enables selling individual dwelling and

non-dwelling spaces in a house (together with the appropriate part of the land) and entering these "units" into the real estate registry. The law also sets a six-month preferential period for the present tenant, and if he does not use it, the landlord can sell the flat to anybody else. Under this law it is also possible to transfer cooperative flats, thus making it the tenant's property. In this case the cooperative duty is to transfer the flat if the tenant asks for it.

- **Act on Construction Saving** from 1995 sets conditions for a state contribution to savers – participants in construction saving. At the present time there are six specialized construction savings banks in the Czech Republic, which have already closed more than 1.1 million contracts.

- **Act on State Social Support** from 1995, which in the part concerning housing substituted the law of contributions to rents from 1993 and set legal claim to a state contribution to all low-income households up to a given limit.

- **Amendment of the Act on Bonds** from 1990 (amendment from 1995) has a key significance for the adjustment of the system of long-term mortgages. Conditions of state support of these mortgages is set by a governmental statute from 1995.

- The decree of the Ministry of Finance from 1993 (amended every year) sets **maximum rents** for flats with so-called regulated rents as well as of flats with free rents.

F. Housing Construction and Building Industry

Just like the other economic branches also the Czech building industry is in the process of economic transformation. The processes of demopolization, large-scale privatization (especially the voucher method), small-scale privatization (in public auctions) as well as liquidation of enterprises overburdened with debt created property and organizational prerequisites for market behaviour of the building enterprises. The intensive drop of demand on the building market after 1989 was a strong and effective factor of the whole transformation process. This drop was connected with the growth of prices in particular and with the introduction of hard bud-

get limits. A consequence of this process was a change of the character of the building market from demand to offer.

Since 1990 there has been a dynamic development in the private building sphere. At the present time there are over 200,000 entrepreneurial enterprises. The share of **private building firms** in the building industry, in the case of firms with under 100 employees, amounts to about 80%. The smallest building firms are those which are not booked down in the trade register, i.e. natural persons with a few employees (the so-called "family firms"). These firms take mostly small consignments from minor, individual investors (repairs and reconstruction of family houses, shops, etc.) or work as subcontractors for larger construction firms.

Prevailing in the building industry in the Czech Republic is the private sector, the state sector only covering about 10% of the total volume of construction work performed by all building organizations, with 98% of all constructions being executed in the Czech Republic and 2% abroad. At present there are over 1,600 building firms employing more than 25 employees, which represents an increase by 2.7% in the past year. 88% of the above number are private firms.

The smaller volume of the housing construction after 1990 has influenced further existence of the production capacities of the building firms as well as of other producers of building materials, including supplies for housing construction.

As far as the building firms with more than 25 employees are concerned, their orders for the housing construction represent about 80% of the total work on orders in the whole Republic. Orders for non-residential objects as well as for non-production and transport facility constructions are carried out in the volume of 80% of the work supply.

After the year 1989, the deepest recession in the sphere of building practically lasted only until 1991. The total number of people working in the building industry is 430,000. Their wages and salaries represent more than 30% of all expenses; the small profit is a consequence of the efforts to push oneself even at the price of small profitability and the surviving "socialist" habits in work and technological discipline.

The growth of the building industry reached about 8% in 1995. However, unfavourable

development survives in the so-called "internal" economy of the branch because the profit rose in 1995 by mere 3.5% while the gross performance increased by 22%. The investment property of this branch has been stagnating for three years and thus the building industry, in its "profit stringency", finances its consumers to a certain degree. **In 1995, about 1.5 new dwellings per 1000 inhabitants were completed in the Czech**

Republic, which is still an insufficient number considering the present building capacities (technically prepared). A certain "supply" of future construction orders undoubtedly is in the sphere of repairs of the buildings constructed by means of the prefab large-panel technology, in which roughly one third of all inhabitants are living and which often show serious technical defects.

III. Principles of Approach to the Problems of Housing and Human Settlements

The "national plan of action" **cannot be presented as a comprehensive document at the present time**. A great number of transformational processes are going on in the Czech Republic, in which the major authorities who would not only elaborate such a plan of action but would approve it and materialize it as well, change in organization and personnel. As the transformation is

going on, also priorities and the sequence of individual steps are changing. For example, in the first years of the economic transformation after 1989 the main priority was to change property relations. This change is almost finished but the implementation of some structural changes is still going on including privatization.

1. PRINCIPLES OF THE HOUSING POLICY

The aim of the housing policy is to **gradually create an effective housing market** where every citizen can choose a dwelling corresponding with his preference and financial possibilities. The housing policy derives from the fact that housing is an estate, or service respectively, of a private character. It has both its value and its market where it is traded. The state is and will be taking active part in creating an adequate legal system including its institutions for the housing market to be effective. The state will go on helping to

solve the question of housing availability. The government has chosen to proceed in gradual, mutually interlinked steps while considering all uses, consequences and expenses of the measures chosen in a concrete situation, including "resistance" to all pressures and populist requirements.

The introduction of financial support of rents in 1993 laid down the basis for **help to the socially weakest citizens**. Since the year 1996 this support has been extended to all forms of both ownership

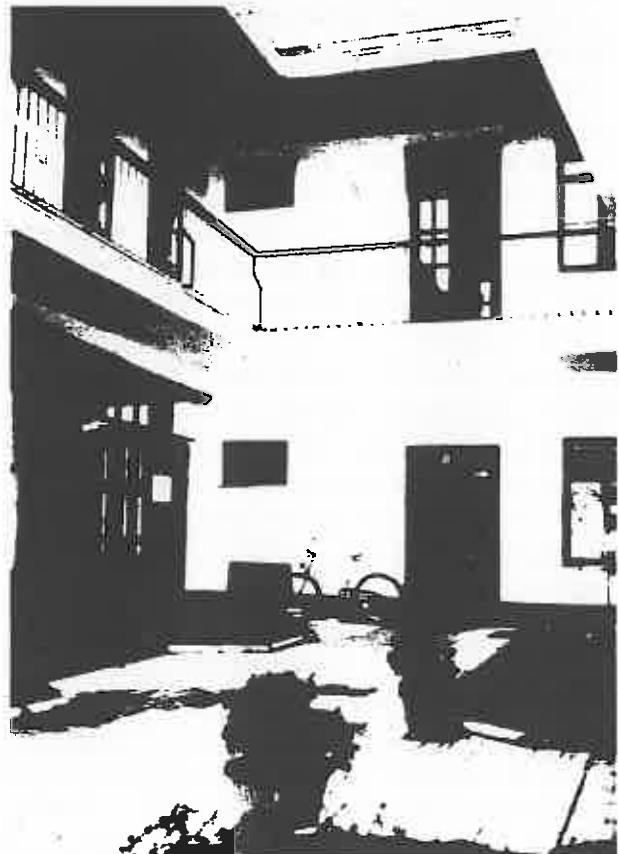


Residential building with care attendance services in Hrádek nad Nisou

and rents. This contribution to housing is given to all households whose net incomes do not exceed the limit stipulated, which can and must be adjusted according to the rent increase, but it must always go to those who really need it. The height of the contribution must not neutralize the rationalizing effect of the increasing rents.

Building saving with state support has been quickly developing since 1993. An amendment of the appropriate law will make it possible to **raise the volume of financial means** going into this system. The influence of this form of saving on the demand for housing will make itself felt more markedly in combination with **mortgage credits**. An improvement of the mortgage legislation has decreased the mortgage risk as well as their "price" for those interested. The availability of mortgage credits will go up also due to the state subsidies of the interest rate, which the government approved towards the end of 1995.

The system of **specific subsidies from the state budget stimulates participation of the municipalities** in the building of the technical infrastructure for housing development, which should gradually increase the number of new flats and houses and make them cheaper. But to



Reconstruction of an inner house-court in Přerov

achieve this, it is necessary that the municipalities themselves should work out a realistic urban plan and even use their own financial means for these purposes. Any improvement of the housing availability in near future needs direct help from the state budget. The means from this budget will be further used – not on a general level – for supporting investments in rental housing on condition that the municipalities use their own resources for these purposes and will fulfil some other conditions (approved urban plan based on realistic calculations, etc.)

Also **some programmes already launched before will continue**, e.g. the programme of interest-free loans to municipalities from the state budget, orientated at supporting the renovation of the existing housing stock including houses of private owners. Similar support from the state budget is and will further be given to programmes of specific subsidies on municipal construction of flats with special regime (e.g. boarding houses for pensioners and houses with care services). The number of such specific flats will be growing also due to the necessary transfer of the excessive capacities from the sphere of health services for the above purposes.

Consistent continuation of a **gradual increase of the rent ceiling** is a necessary condition of housing market rationalization. The government has approved a principle according to which rents will be regulated until the year 2000. If the municipalities as well as the state consistently apply the rules of deregulation approved, an increase of the rent ceiling can be expected in the period given (i.e. rents will rise much more than will the other prices in the economy); in other words, rent increase will be greater than the presupposed growth of incomes of an "average" family in a rented flat. This will be especially true of the attractive parts of bigger towns. This development will have a rationalizing influence on the relative decrease of the rental housing and even gradually lead to a higher offer.

The development of new housing construction (as well as of renovations) requires the **removal of legal and bureaucratic obstacles** in the whole string of housing construction, i.e. from plans until a new tenant or owner moves in. This is an important condition of its considerable acceleration and relative price reduction. Among others, it is the question of a higher offer of new building land. To achieve this, it is necessary to do away

with the excessive protection of agricultural land in the vicinity of towns as well as to lower or remove payments for the withdrawal of this land (amendment of the law of protection of the land fund). The draft of the amendment of the Act on Physical Planning and Building Procedure (Building Code), which decreases the necessary bureaucracy and makes the process of getting appropriate documents quicker and the housing construction cheaper, will be discussed in Parliament.

The functioning of **offices influencing the housing construction** (land offices, construction offices; land registries, environmental protection department of the municipalities, etc.) must be much more flexible and efficient than they have been so far. These are permanent tasks for all appropriate ministries as well as municipalities. The fulfilment of these tasks will contribute to making construction quicker and the prices of new dwellings cheaper.

In connection with the development of the housing market as a whole, some legal adaptations will be proposed in later future, strengthening the rights of the owners of residential houses without being detrimental to an adequate protection of the tenants. Some citizens will move house, vacating thus flats in the present housing stock for new owners or tenants. A stimulus to do this will also be given by the growth of the real rent and by extending the area of negotiated free rents in consequence of deregulation. Appearing on the market will not only be new blocks of flats and houses but also a growing offer of vacant dwellings from the existing housing stock, which will help to decrease temporarily the relatively high market rents. Also the management of the municipal rental houses must operate more efficiently in this respect. Better management of the municipal flats, new offer of flats together with the removal of the excessive regulation will improve the housing market flexibility, lead to better utilization of the housing stock, improve its effectivity and thus the citizen's satisfaction with their flats.

2. STATE FINANCIAL SUPPORT OF HOUSING

One of the forms of the state housing support is direct financial aid given from the state budget for exactly defined purposes and under precisely fixed terms. The total financial volume given out from the state budget for these subsidies increases every year. **In 1995 the total sum amounted to about 3% of the state budget, i. e. the same as in 1996** (when the state budget rose). At the same time new regulations are approved stimulating, together with the direct state assistance, private capital to invest in new housing construction. In the course of 1995 necessary legislation was approved for "launching" the system of long-term mortgages. The Government laid down conditions for state financial support of this form of long-term credits which are already provided by four banks licensed to grant mortgages.

A survey of programmes of the direct state financial support:

A. Support of Owner-Occupied Forms of Housing

A.1. Support of construction saving

The construction saving combines the client's individual efforts with the state support amounting to **25% of the sum saved in a year**, provided the contract with the bank lasts five years. The contract is concluded for the target sum which should be achieved in five years. The target sum is the summation of:

- the sum saved (plus interest),
- the credit (minus interest on credit), representing 50% of the target sum,
- the state contribution.

The construction saving was modified by a new law in the year 1993. At the present time the construction saving is offered by six construction savings banks. An association of the construction savings banks has been set up. The total number of contracts concluded by the end of 1995 has exceeded

1,100,000 (in 1995 about 400,000 contracts were concluded).

In 1996 credits will already be provided from this type of saving with state assistance, because some savers will have fulfilled the two-year term given as a condition of the advantageous credit.

A.2. Support of mortgages for housing construction

After adopting some legislative provisions as necessary prerequisites for launching the new system, **the government approved conditions for financial support of mortgage credits in the sphere of housing construction in 1995.**

The programme of supporting mortgage credits wants to make long-term credits given by licensed banks available for private building contractors and to strengthen the offer of long-term financial means for the construction of houses and flats. By a mortgage credit it is possible to finance a future real estate until 70% of its value, or the investor can get the lacking starting capital in the form of a construction credit or a bridge credit.



New housing construction in Brno

A contribution from the state budget is granted under conditions stipulated by a government decree. It relates to the construction of a rental house or a one-family house or flat, the purchase of land for the construction, for the purchase of a flat or a house (a new one - until one year after it was approved), to paying up the credit contracted after 1st January 1995. The state contribution lowers the contractor's interest expense by four percentage points if the conditions stipulated by the government order have been fulfilled.

B. Support of Rental Form of Housing

B.1. Support given for the completion of objects of the previous so-called comprehensive housing construction

Within the unpaid-for transfer of the formerly state flats to the municipalities, also some **unfinished** buildings, started within the so-called comprehensive housing construction, have been transferred. The completion of them has been getting direct financial assistance since 1991. In 1995 nearly all unfinished objects were completed, the last ones will be completed in 1996. This support has the form of a specific subsidy for the completion of selected objects.

Attic addition on a residential house in Brno



B.2. Support for the completion of cooperative multi-dwelling houses

In view of the fact that some objects of the building housing cooperatives have not been finished and a direct state support, which was given previously, is not provided any more, there is a certain sum of money reserved in the state budget for the year 1996 to help to finish the multi-dwelling houses of the building housing cooperatives.

B.3. Support given to the construction of new rental houses and of the infrastructure in municipalities

The aim of this programme, set up in 1995, is to **help the municipalities to build new residential houses in the framework of implementing the local investment plans**, and it is possible to combine state and municipal financial means with private capital. The support given to the construction of new rental houses will raise the municipal offer of rental flats with affordable rents. The support given to the construction of the technical infrastructure will raise the offer of suitable land for new housing construction.

It is very necessary that the support of new housing construction in municipalities should also continue in the years to come, there being two reasons: first, for the time being the private sector carries out new housing construction of solely owner-occupied forms, on the other hand it can be seen clearly that without building related the technical infrastructure on suitable land with the help of public means, the following new construction is getting more and more expensive and thus less attainable for consumers. On the basis of selective proceedings, the municipalities get **specific subsidies under stipulated conditions** – the subsidies are given on concrete investments.

In 1996 the programme of supporting new housing construction continues under conditions similar to those in 1995, but financing the buildings started within this programme in 1995 is counted with. The support of construction of new rented flats is extended for the year 1996 by the possibility to reconstruct for these purposes even vacant, long uninhabited and devastated houses; the sup-



A house for pensioners in Brno

port of building the technical infrastructure is for 1996 solely targeted at vacant areas without any infrastructure suitable for future new constructions of any forms (including the private ones). The other conditions, including the financial limit of state support per one future flat, remain the same as they were in 1995.

B.4. Support of building boarding houses for pensioners and houses with care services

This is the question of social construction of **houses with a special regime** – boarding houses with flats for pensioners and houses with care service for old and disabled people. This form of support has been applied since 1991 (several-year programme of building these types of small rented flats for all districts of the Czech Republic). In the framework of this programme the construction of these rental houses for specific groups of inhabitants is financed in all regions of the Czech Republic.

B.5. Ref profiling of hospital beds

The transfer of unutilized hospital bed capacities from the sphere of health services into that of social care institutions (the so-called reprofiling of hospital beds) will make it possible to reduce the construction of new buildings for these purposes.

B.6. Subsidies for heating

This programme enables the tenants of flats to pay only regulated prices to the owner (or manager respectively) of the dwelling house while the owner pays the producer (supplier) of heat an expense price. **The difference between these prices is paid from the state budget in the form of a direct specified subsidy** on the basis of documented real expenses and incomes of the owner of the house on heating and supplies of hot water. The procedure in applying this form of support is given by a decree stipulating conditions for granting and

financial settlement of a subsidy from the state budget on the thermal power supplied for heating the houses.

The heat consumer – the owner of the building – presents an application to the relevant revenue authority by the 3rd January of the current year at the latest. It must be handed in on a prescribed form for all objects he owns (or manages). The payment is made through a decree of the relevant revenue authority to a branch of the given bank in the relevant district, which then transfers the money to the owner's account.

B.7. Housing allowances

This form of support represents a help to the **lowest-income households when the cost of housing is rising**. The housing contribution is a rightful social allowance based on the law of state social support. It is given to all households whose net monthly income does not exceed 1.4 multiple of subsistence level, without regard where and in what kind of flat the household lives (or if they share one flat with another household). The percentage of households having net monthly incomes up to 1.4 multiple of the subsistence level is about 10%.

C. Support of Housing Stock Modernization

C.1. Interest-free loans to municipalities for modernization

This support is assigned to municipalities and through them also to private landlords for the maintenance of the existing housing stock. This programme was introduced in 1994. It is an interest-free loan given on the basis of an application to the municipality. The municipality can then lend these means to a private owner.

The aim of this form of support is to initiate the establishment of local municipal funds for modernization of the housing stock in the municipality. On the basis of a public notice, the local municipality establishes a **special fund** to which the state can contribute by an interest-free loan for ten years. Besides modernizing the municipal dwelling houses, this fund can also grant loans to private house owners in the municipality on 7% interest at most. A number of towns introduced this system already in 1994, and with regard to the fact that the municipality can,

Part of the historic core in Třeboň



through its own initiative, also get other resources, this form of "public" financial supports is very efficient. It is also a possibility for a private owner of a residential house to get a low-interest credit for repairs or modernization of his real estate.

C.2. Support for improving heat insulation

A state support for **decreasing the energy demand** is given to owners and co-owners of residential houses so that they could take measures to decrease the consumption of fuel and energy in their houses. A criterion in selecting an applicant is the maximum decrease of energy consumption achieved by means of the state support. The support is given to investment measures and its volume for one applicant is limited and amounts to 50% of the investment expense on the measures taken.

C.3. Support for changes of heating systems into more ecological forms

This support is meant as a stimulus for changes of the ways of heating into more ecological forms – in the framework of the National Programme of Environmental Sanitation (Parliament decision from 1994). The municipality itself specifies more precise rules for utilizing this form of specific purpose subsidy. Owners of houses or households can get a subsidy on the change of heating already put into effect; all applications are sent through the municipalities to the Ministry of Environment which, together with the State Fund of Environment, assesses them. The subsidy cannot be obtained until after the change of heating has been carried out.

C.4. Support for removing defects in prefabricated large-panel residential buildings

Despite of the relatively young age of the construction, prefabricated residential houses often show very serious technical defects (of both static and safety character). Reserved for



Heat insulated residential building in Prague

the support of removing the serious defects is a certain sum of money in the budget and will be given out in the form of specific purpose subsidies.

C.5. Contribution to sanitizing antiradon measures

Financing the antiradon programme follows the instruction of the Ministry of Finance from 1993. After discussing the matter in the inter-departmental commission, the Ministry of Finance transfers a deposit for financing the antiradon programme on the current account of the given municipality. These means are meant to be used for the purpose of taking **sanitizing antiradon measures in residential houses**.

D. Settlement of Damage to Property

The settlement of damage to property of the Czech Savings Bank, Jnt.Stk. company, and of the Investment and Post Bank, Jnt. Stk. company, represents paying off the difference between the discount interest rate and the rates at which credits were formerly granted for individual and cooperative housing construction (2.7% and 1%). **These credits were granted under the previous conditions for 20, 30 and even 40 years.** By transferring some cooperative flats into the tenant's ownership on the basis of an individual request, the volume of the unpaid loans will get smaller. The biggest volume of the loans will be paid off by the year 2000, the last instalment of these credits will be paid in 2034.

E. Tax Advantages

Tax advantages and changes of depreciation represent a financial state support to all owners of houses. It is the question of the following provisions:

- income tax exemption yield on mortgage bonds,
- shortening of the period for writing off houses to 45 years – writing-off rate 2.25% a year,
- real estates tax exemption until 2007 in the case of rental houses built before 1948 and owned by natural persons (restitutions),
- real estates tax exemption till 2002 in the case of residential houses with flats transferred into the ownership by natural persons from the ownership by the state, municipalities and cooperatives (privatization),
- five-year real estate tax exemption for houses where the solid fuel heating has already been changed or for houses with heat insulation already improved.
- income tax exemption in the case of incomes from flats (garages) in houses owned by building and people's housing cooperatives and in houses of partners, members or founders of legal persons founded for the purpose of owning the house (privatization),
- real estates tax exemption in the case of houses owned by natural persons – socially weak or disabled people.

F. Further Provisions

- **Housing support of disabled persons:** On the basis of a public notice from 1991, Ministry of Labour and Social Affairs gives contributions to disabled persons for removal of architectural barriers in the existing flats or one-family houses and for the purchase of technical aids for these purposes, e.g. a lift or a staircase platform.

- Support of **regeneration of historical town centres:** In the framework of the Programme of the Ministry of Culture concerning regeneration of urban monument reservations and urban monument zones it is possible to get a specified purpose subsidy. Asking for this form of support is the municipality which has a programme of regeneration worked out and approved by the municipality assembly. (One of the aims of the state programme is to stop the depopulation of the historical centres; therefore also residential houses are an integral part of the centres).

- Programme of **preservation of the architectural heritage:** A subsidy for the preservation of outstanding objects protected as monuments can be obtained from the Ministry of Culture through the relevant district office department for regional development. An elaborated project and a budget are necessary conditions.

- Support of **renewal of villages:** A decision of the inter-departmental commission enables getting a financial support for selected actions. Applications are submitted by the municipalities through the district offices. (One of the aims of the programme is also interconnection of housing with agricultural management.)

- Support of **supplying drinkable water:** The Ministry of Agriculture renders help in the form of specified subsidies to small settlements with up to 5,000 inhabitants.

- Flat furnishings – help to young newly-weds who can pay off a low-interest loan for young married couples; with every born child a fixed sum of money is written off the loan, which is a form of state contribution. Loans are negotiated individually on the basis of a contract concluded with the applicant.

- Securing of **refugees and relocated people** – in the framework of help given by the Ministry of Labour and Social Affairs to such persons (with appropriate statutes) also accommodation is provided to them.

IV. Regional and Local Development

1. PRINCIPLES OF REGIONAL ECONOMIC POLICY

Despite the relatively high economic and social homogeneity of the territory of the Czech Republic and in spite of the low unemployment-rate in comparison with other countries (the average of the Czech Republic is about 3%, the average of the EU countries is about 10%) also some regional and microregional disparities of a longer duration emerge with the proceeding restructuring. The transformation of the Czech economy proved to be connected with the initial conditions – nature, socio-demographic, economic and other potentials – in the development of individual regions, which reflected itself in different dynamics and different results.

After the year 1989, the regional differences **were particularly influenced by the following factors:**

- a marked decrease of production and employment rate in fuel extraction, metallurgy and investment machine engineering (dominating in industrialized agglomerations – Ostrava region, basin areas in northern Bohemia),

- decreasing of the number of workers in agriculture, especially in areas with worse production factors (mountain and foot-hill areas) or in regions with limited possibilities of substitute employments,

- decreasing of the number of jobs in enterprises with a long-term loss of market, especially in microregions where these enterprises have a dominant position in the economic structure (e. g. the automobile factory Tatra Kopřivnice, the steel-works Poldi Kladno),

- uneven development of private enterprising activities, mainly in the case of small and medium-sized enterprises,

- low interregional mobility of workers looking for jobs, which is caused by tradition as well as by the fact that in areas where jobs

can be found there are no vacant dwellings at acceptable prices.

On the basis of the above-mentioned factors, it is possible to distinguish several differing economic areas. The **main developing centre** with a low unemployment rate, marked foreign capital interests, a small number of problem enterprises and a dynamic development of services and tourism is represented by Prague with its adjacent areas. Belonging among the developing regions are districts with big towns and diversified industries (Brno, Plzeň, Olomouc, Zlín, etc.). An above-average level can also be found in some border districts which take advantage of their favour-

City of Litoměřice



able position and the beautiful nature for the development of tourism and services (Karlový Vary, Cheb, Domažlice and others).

Areas with economic problems can be divided into two different groups. The first one includes **economically weak areas** characteristic by their peripheral position, above-average unemployment rate, low income rate, high employment rate in agriculture and a limited offer of other jobs, especially qualified ones. These areas are mostly in peripheral regions with usually lower standard of living, slow development of private enterprising and a lower level of civil and technical facilities.

The other group comprises so-called **structurally affected areas** on which the changes of the economic structure had a negative impact. They are areas with a higher level of economic development and a higher degree of urbanization but with high representation of damped branches. Typical of these areas is a high density of inhabitants, exhaustion of the space, which limits the possibility of starting new economic activities; further it is often the highly polluted environment and exhaustion of the natural factors for economic development. Defined as areas with economic problems were in 1995, for example, the districts of Ostrava, Karviná, Chomutov, Louny, Svitavy, etc. There are about 2.4 million, i.e. about 23% of all inhabitants of the Czech Republic, living in these areas.

The Government was aware of the necessity to reduce these disproportions in the framework of the regional development, and therefore they said in their programme declaration in 1992 that they would concentrate on the support of the development of enterprising activities in economically weaker areas and in places with concentration of structural changes. For a system execution of the regional policy the Government approved "**Principles of regional economic policy**", adjusting the execution in a way comparable with its conception in the advanced countries of western Europe. According to these principles, the regional policy is orientated at regionally differentiated encouragement of economy mostly by direct support of enterprising as well as support of the construction of infrastructure which makes a given region attractive for enterprising. The aim of the economic regional policy is not a mechanical redistribution of resources created in more efficient regions

into "poorer" ones. Therefore only such projects are supported that can function effectively for a longer time even without any further support, or which will encourage economic activity in the region respectively. The provisions of the regional economic activities are only orientated at **initiating and attracting entrepreneurial activities which must prove their competitiveness for a longer span of time and defend themselves even without any state assistance**. The support is always limited in time and is effected on principles of coparticipation and corresponsibility of the entrepreneurs, regions or municipalities.

Because a prerequisite for effecting rational regional policy is permanent statistical observation and assessment of the economic and social development according to the territories as wholes, a thorough analysis of them was carried out in the first work stage. The basis was the level of the districts for which there is most statistical data; observed in some cases were also smaller territorial units. For the analysis such indices were chosen that characterize mainly the labour market, the living standard of the inhabitants and the economic level and structure of the districts. In districts with more serious problems, the district departments of regional development elaborate so-called "**Signal information about problems of the economic and social development on the territory of the district**", which is then the starting basis for preparing the necessary measures. Another mutually and methodically agreed analytical-developing document elaborated at the level of a district, is one called "**Programmes of the economic and social development of districts**". In substantiated cases, i. e. particularly problem districts and microregions, the Ministry of Economy can give a financial contribution to the preparation of this document, usually 20–25% of the necessary expenses.

Concrete forms of assistance to the economically weak areas derive from the weak and strong aspects of the relevant region, from the aims determined and from the choice of corresponding tools and means. For this purpose, the Government gives the following tools at disposal:

- moderating of credit conditions,
- guarantee of commercial credits,
- capital reliefs – quickened writing-off,
= advantages in profit reinvestments.

- investment grants.
- tax reliefs.
- requalification subsidies.
- support of informational and development regional studies.
- possibly also decentralization of state authorities and institutions.

The support of regions with economic problems is mainly aimed at the following:

- Regional support of enterprising in order to improve the economic structure and create alternate economic activities. The support is given on the basis of the supporting programs ("Region") in the form of advantageous credits and guarantees.

- Development of the infrastructure with the aim to make these regions more attractive, induce new entrepreneurial activities and enable introduction of more demanding production programmes and technologies by increasing the level of the infrastructure.

- Building supporting structures for the development of enterprising and further indirect measures (establishing industrial parks, development of the commercial infrastructure, environmental measures, support of tourism, etc.).

- Support of services for the development of enterprising (establishment of agencies, consultations, support of research).

- Creating alternate sources of employment, including increasing qualifications and requalifications.

In the framework of the programmes of small and medium business elaborated for general use, a programme called "REGION" has been implemented since 1992. The aim of this programme is **to increase the attractivity of small and medium business in economically weak areas** and contribute thus to creating new jobs. This programme can be combined with other programmes, e. g. START, ROZVÓJ (development), AGROREGION. This regionally orientated support has a rising tendency. All measures taken have proved to be successful. With regard to their investment character the full effect makes itself felt regularly, but in a number of districts the unemployment rate has noticeably dropped already.

Also cooperation with the European Union has a regional dimension. On the borders between the countries of the European Union and

the associated states of central Europe, the materialization of a middle-term program of **cross-border cooperation (CBC)** was started within the programme PHARE. The aim of the programme is to support cooperation between the border regions of individual countries and thus overcome their specific development problems. In terms of budget, PHARE is the largest programme. From the total PHARE sum of 60 million ECU, earmarked for the Czech Republic in 1994, the programme PHARE CBC got 28 million ECU (i. e. 41%) and this money was allocated to areas near the border with Germany. In the years 1995–1999 the EU contribution to the programme of cross-border cooperation is to achieve 155 mil. ECU, which represents almost 47% of the budget of the PHARE fund in that period. This programme is the first programme within PHARE that is fully compatible with the EU programme and which should continue in the form of the **INTERREG programme** even after the Czech Republic joins the EU. The fulfilling of the programme enables giving considerable financial means to support a great number of investment actions, especially in the sphere of technical infrastructure, environment and transport. Before this concrete investment help was put into effect, coordinating development studies of the **Czecho-Bavarian and Czecho-Saxon border regions** were elaborated which mapped the problems of the territory and laid down the basic trends of development as well as the successive aims.

Similar problems are the subject of an intercontinental agreement between **the Czech Republic and Poland** concerning the liquidation of the Polish debt. Many investment actions will be accomplished with the help of 57 million USD out of the money of the debt. These actions will be orientated at ecology and development of the infrastructure and will have a positive influence on both sides of the common border.

Out of the financial means of the European communities PHARE, also 10 mil. ECU have been put aside for supporting restructuring of the economy in the **Ostrava-Karviná agglomeration**. Following the recommendation of a development study, two institutions – Regional Development Agency and Regional Entrepreneurial Fund – were founded in 1993 as a pilot project supported by the EU.

For similar reasons and after the experience from the Ostrava region, the **Regional Development Agency, Jnt. Stk. for Northern Bohemia** was founded in 1994, residing in Most. A starting document for the work of the Agency is the document "Regional development strategy of northern Bohemia", elaborated by an international group financed from the means of the PHARE programme. It defines seven basic aims of development, which are, in cooperation with appropriate partners, worked out for gradual achievement. Their supplement further gives a list of 170 concrete projects. To some degree, the elaborated document represents a model approach to a conceptual solution of the development of a region. Positive in this document is especially the fact that it managed to join the interests and efforts of state administration organs, self-governing bodies including associations of the municipalities in the region, of the entrepreneurs, of the banking sector and other subjects, and create a feeling of regional togetherness. Also other regions, e. g. Šumava, Nisa, Central and Southern Moravia also apply similar measures.

Belonging among the specific problems of the regional development is the **revitalization of the former military spaces, particularly the military domains of Ralsko and Mladá**. On the basis of a government decree from 1993 these territories are being prepared for privatization. With regard to the complexity and extent of the problems and for accelerating the whole process, the Ministry of Economy set up the organization **PRIVUM** which, in cooperation with the relevant municipalities, identifies and records individual property, prepares basic privatizing projects, etc. The revitalization proceeds gradually, "evolutionarily" as does sanitation and cleaning of the territory, renovation of the technical mains and the process of privatization.

Out of the branch supporting programmes, it is especially the "**Podpora agrokomplexu**" (support to the agrocomplex) that contains significant regional elements. In this programme, most financial means go to regions with agricultural problems.

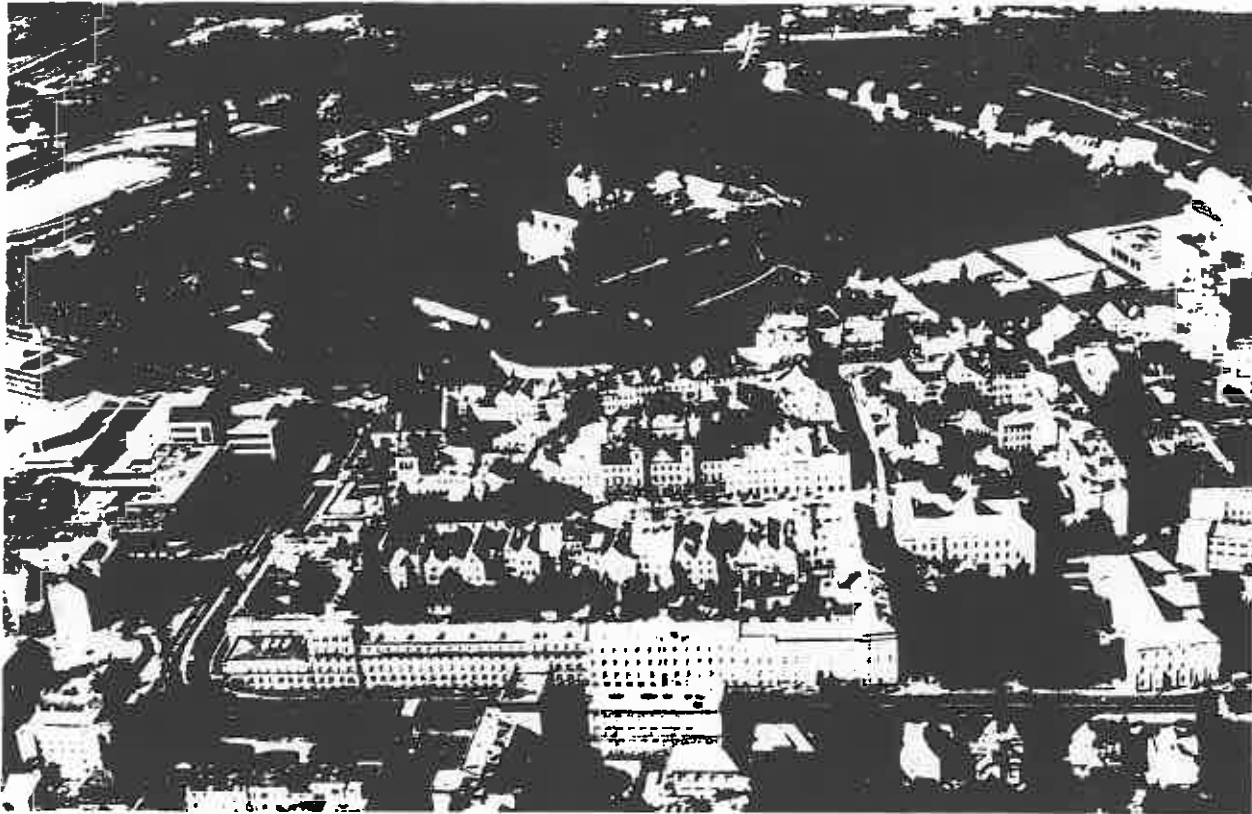
2. DEVELOPMENT OF TOWNS AND MUNICIPALITIES AND PROGRAMMES OF SUPPORT

The basic territorial administrative unit, having its elected organ, is the municipality in the Czech Republic. The powers of the municipalities were substantially extended and changed in 1990 by the **Act on Municipalities** (by its later amendments and supplements). District offices, whose head is appointed by the Government, represent a higher level. (The draft to set up higher territorial units is not finished and approved yet.) All municipalities carry out a specified range of state administration activities. For some selected municipalities the range of transferred power of state administration has been extended in order to exert these activities for smaller municipalities in their surroundings.

The powers of the municipal assembly are the following:

- **approving the programme of development of the territory of the municipality** and check up its implementation,

- management of the municipal property,
- setting up of the budget, management in its lines, and making the final account.
- establishing permanent or temporary monetary funds,
- establishing legal persons and institutions, or their abolishing
- decision-making about the participation of the municipality in commercial companies and foundations,
- determining the local fees and their rates,
- issuing generally binding notices in affairs falling within independent operation,
- deciding about issuing local referendum and its implementation,
- concluding agreements about changes concerning the municipality borders,
- elections, establishing and instituting the municipal organs,



City of Pardubice

- deciding about the municipality's membership in the voluntary association of municipalities and in unions of municipalities within an international context.
- tasks in the sphere of school education, social care, health services and culture.
- local affairs of public order and establishing local police.
- **care of the cleanness in the municipality, garbage collection and its harmless liquidation, supplying water, drainage and purification of waste-water, imposing sanctions.**

It is apparent from the above list what significant part of the **responsibility for the state and development of their administration** has been transferred to the municipalities. In the framework of the new changes of property rights, the municipalities have become at the same time owners of a lot of real estates, mainly from the former state housing stock. For fulfilling their duties, some new and amended laws provide a lot of powers and tools whose full utilization and possible supplementing with local notices according to concrete needs and conditions represent a very demanding task.

One of the new tools is the already mentioned **programme of the development of the municipality**. This document represents a strategic

instrument for managing the municipality, particularly for activities orientated at better quality, development and increase of prosperity of the municipality. On the basis of an analysis of the present state, the municipality determines **long-term strategic trends of development** in individual fields (of the environment, housing policy, social problems, etc., political questions, solution of transport, technical and civil infrastructures, etc.), and the **middle-term objectives** following from them. In their framework, **individual partial projects** are realized. The programme must be discussed in public. The elaboration of a complex programme conceived in this new way is a very demanding matter, especially at the present time when the municipalities must daily solve a lot of urgent and even imperative tasks. For this reason a great number of municipalities have not worked out a document conceived in this new way, and for the time being they make use of the so-called "territorial and economic principles" that have been and still are elaborated mainly in connection with the preparation of physical planning documentation. The basic contents of territorial economic principles is stipulated by the Act on Physical Planning and Building Rules (Building Code).

The present legal provisions concerning regional decision-making with the new laws in the spheres of national economy as well as of assessing the influences on environment. Requirements for nature conservation are laid down particularly in drafts of regional systems of environmental stability (i. e. well-ordered system of environmentally stable areas and lines in the country with the aim to conserve its natural genofond and mediating its positive influence on the other, less stable, areas). The requirements must be included already in the regional and economic principles valid for formulation of all levels of the regional plans. According to a concrete situation, the binding components are embodied and elaborated in greater detail in regulations for utilizing a region and its space arrangement: these regulations contain binding principles and limits of utilization. A weighty problem whose solution is beyond the possibilities of individual municipalities is the **physical state of the settlement stocks**. Due to the long negligence of maintenance, a considerable part of the housing stock as well as of the technical and civil infrastructure of the municipalities is nearly in disrepair. In order to help to solve some frequently occurring problems, the government decreed various supporting programmes.

The programme of village renewal was approved by the government in 1991 on the basis of the joint proposal of the Ministries of Environment, Economy and Agriculture. In the beginning, the programme was used as a methodological basis for preparing local programmes of renovation in individual villages. The essential idea of the programme is to stimulate and encourage the villagers and their self-governing bodies to make their best to undertake an overall renovation of their villages and thus of the whole rural space. It is in the first place the following points:

- keeping up, restoration and development of local cultural and social traditions, way of life, togetherness of the inhabitants and awareness of one's own responsibility for the restoration and development of the village.
- development of economy in villages, utilizing the local resources and employing the local inhabitants.
- maintenance and restoration of the actual image of the villages, of their organic connection

with the countryside, of the specific character of the rural buildings, of its natural and unique image both in the place and the countryside.

- tidiness and cleanness of public places and buildings, improvement of civil and technical infrastructures.

- conservation, renovation and purposeful utilization of the natural production potential of the surrounding countryside and development of its natural, housing and aesthetic values.

The financial means given to support the programme from the state budget, are especially of a motivating character. A majority of the expenses for carrying out the individual actions of the local programme (50% at least) are covered by the municipality or by a concrete owner. Preceding elaboration of the physical plan or an urban study and of a local programme of renovation are a necessary condition of participation in the Programme. Decisions about the distribution of the financial means are made by an interdepartmental commission.

Another successful supporting programme is the **Programme of Regeneration of Town Monument Reservations and Town Monument Zones**, announced by a government resolution in 1992. The aim of the programme was to initiate preservation and development of the most valuable parts of historical towns, not only in terms of rehabilitation of cultural values and sanitation of their environment but also of creation suitable attractive focuses of development of entrepreneurial activities. For organizing the programme, a working group has been set up within the Ministry of Culture, which controls the necessary activities, discusses with individual towns the preparation and execution of their own programmes, performs cultural activities, etc.

Significant problems, which begin to be dangerously topical especially in some localities, are connected with the relatively **new housing estates**. Statistical data from 1991 says that 62,456 large-panel prefabricated multi-dwelling houses have been ascertained in the Czech Republic in which there are 1,138,069 flats, which represents about one third of the total housing stock. A mass housing construction of standardized objects has been going on since the end of the fifties practically up to the present time, when the last blocks of flats are being finished. Most flats were built in the years

1970–1980. But the quantity of the prefabricated housing objects has been achieved at the cost of lower technical and architectural quality. In consequence of the limited financial possibilities, not all designed objects have been built. It was especially the construction of the so-called higher civil facilities that has been put off all the time, so the present developments are often just urban fragments, ensuring mostly only the function of habitation. In view of the fact that the finished houses have only been paid minimum attention from the viewpoint of maintenance and running repairs, a lot of these objects are in a very neglected condition, sometimes even in disrepair. For this reason, some **supporting programmes for removing the defects of the prefab large-panel objects and for decreasing their energy demands** (improvement of the heat insulation and of the facade). Nevertheless there is fear that measures taken so far are not sufficient and that in view of the houses growing old and the technical condition getting worse, it will be necessary to raise the participation of the boroughs, the state as well as the inhabitants in solving these problems.

However, the problems of the housing developments is not just the problem of the physical condition of the multi-dwelling houses. The total atmosphere of the developments, sometimes with the public spaces in great disorder,

with minimum facilities also neglected, affects the psychological state of their inhabitants, their behaviour manifesting itself by lack of interest in the surrounding atmosphere, sometimes even by vandalism and other anti-social manifestations. But it must be said that not all housing developments are assessed in such a negative way. The environment of such developments – especially smaller ones with large green spaces – provide adequate conditions of life, especially to families with little children. Positive is also the fact that all social groups of people are still represented there.

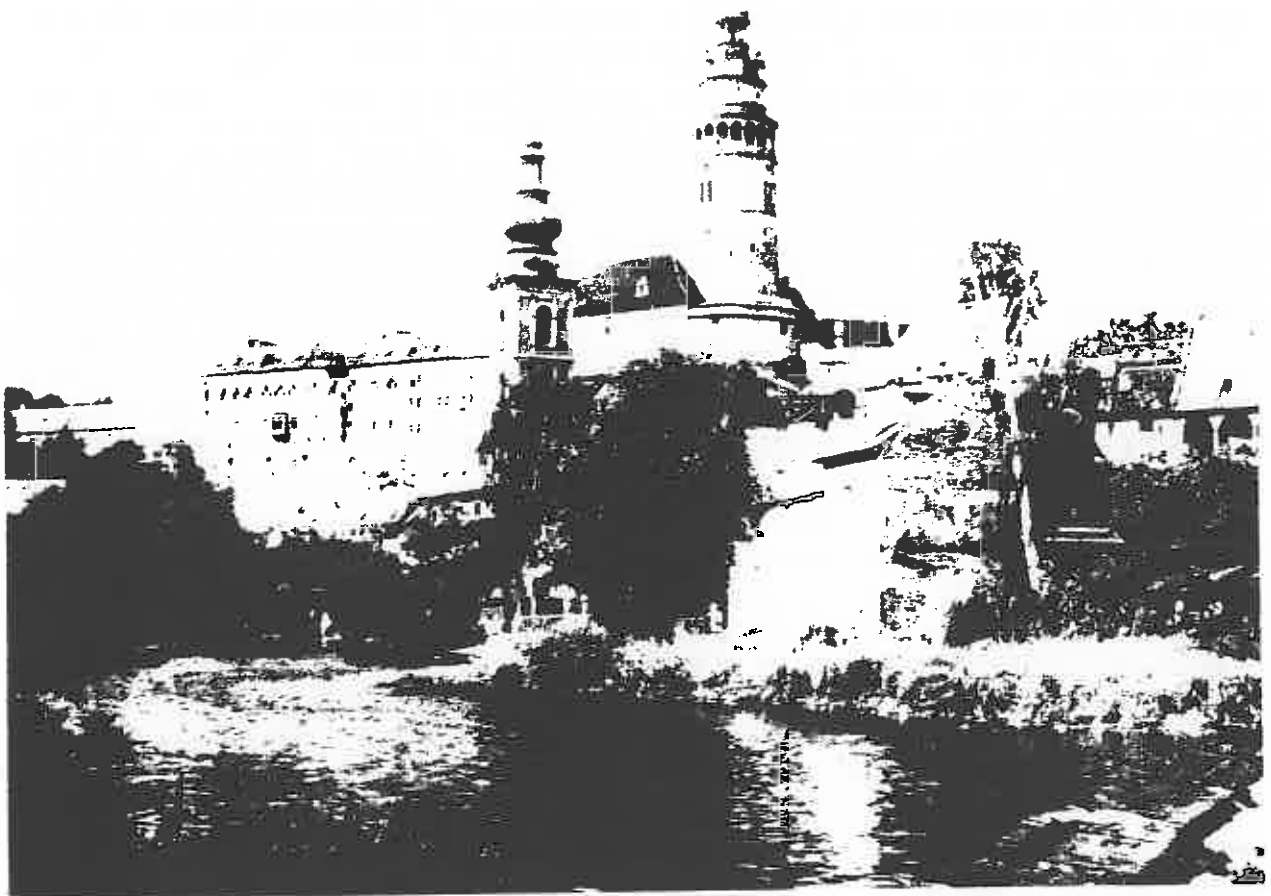
It is these reasons and particularly the fact that the housing stock of the developments is necessary to meet the present needs of housing that lead to the efforts to completely regenerate the housing developments and change them into independent viable complex, and to gradually supplement the missing functions as well to modernize and reconstruct the existing buildings. But only part of the regeneration plan has so far been implemented, namely some individual buildings have been modernized or repaired, and some individual facilities have been finished or reconstructed. As the housing estates represent a considerable potential attractive for entrepreneurs, it is only a question of time when complex adaptations will be made.

3. EXAMPLE – ČESKÝ KRUMLOV

Český Krumlov is a historical town in the south of Bohemia with a state protected monument zone. Owing to its historical centre, the town was put on the UNESCO list of protected monuments. At present, Krumlov has over 14,000 inhabitants, with about 56% of them living in housing developments. The number of residents living in the historical centre is decreasing, formerly due to the condition of the housing stock getting worse and for economic reasons at the present time, for the profits from buildings utilized for tourist purposes are incomparably higher than those from regulated rents.

The principles of the **housing policy of the town** applied have been based on the awareness of the local possibilities and on the need

to make use of them in solving the housing problems of the inhabitants and of the housing stock in general. In 1991 the town acquired a number of multi-dwelling houses in the historical centre, the most valuable of which, whether repaired or not, were entered in the **“Development Stock of Český Krumlov”** and through it let out again or sold with the aim to gain some financial means for further actions. About 150 buildings were privatized in this way. For the privatization of further 150–200 municipal houses, a town decree has laid down rules for purchases in the form of selection procedure, with the bidder from the so-called “small privatization” having the right of pre-emption (priority). Second in the sequence of priorities is the present tenant, further the banks



Český Krumlov

and private physical persons. In carrying out this procedure, the fact that 95% of the purchasers were from among the inhabitants of Český Krumlov was evaluated as a very positive phenomenon. If there were more buyers with the right of pre-emption, the so-called envelope method was used, which meant that the building would be sold to the person with the highest bid. This method enabled selling nearly all buildings in the second round.

The financial means gained were used for the construction of a new housing complex in the town quarter of Domoradice. The municipal multi-dwelling houses built there are intended as substitute accommodation for tenants from the residential houses in the centre of the town, which are prepared for modernization. This substitute lease is given for a fixed time with the condition that the owner of the building to be repaired must give a deposit and pledge that he will take the tenant back under

the conditions current at that time. There are about 100 flats built at the housing estate of Domoradice so far, which makes it possible to launch the planned regeneration of the centre on the one hand, and create a minimum housing reserve for attracting qualified experts so needed on the other hand.

After implementing the above-mentioned privatization, the town owns about 37% of the town housing stock at the present time. It is more than the target state considered to be desirable. In the next stage the town council intend to engage in property rights adjustment of the housing estates. A certain part will again be selected for privatization, another part will create a housing stock for social purposes. At this moment it is advantageous for the town to be, in view of the resources from tourism, strong enough to have a sufficient span of time to consider further steps for optimum privatization proceeding.

V. Principles of Environmental Protection

1. BASIC AIMS AND LEGISLATION

The aim of the environmental policy is to gradually improve the environment in the Czech Republic and to contribute to solutions of the global environmental problems. For the implementation of these goals, a set of legal provisions have been approved in the past years, which represent normative, economic, informational and institutional tools. In the years 1990–1994 the negative development of the quality of environment stopped and considerable improvement can be observed in some components. The total emissions of sulfur dioxide dropped in that period by 36%, the emissions of nitrogen oxides by 60% and the emissions of dust by 49%. Also the pollution of surface waters dropped considerably, e. g. in the case of spot sources the total discharge pollution dropped by 55%. In spite of all that, there are still a number of very polluted water courses in the Czech Republic (34%), probably due to the very slow response of natural processes. It is for the same reasons that the regeneration of the nature components of environment proceeds so slowly. For example, more than 65% of the woodam are still damaged by emission.

It should be mentioned that the positive turn in the sphere of environment was markedly supported by the **process of transformation and restructuring of economic life** after 1989. The damp of some branches of industry limited the extraction of raw materials (black and brown coal, uranium, etc.); considerable improvement has been brought about by the restriction of chemical production and by introduction of more efficient purification of industrial waste. In the structure of primary energy resources a shift has taken place from solid fuels to high-grade fuels, the export of energy has dropped and thus also the share of energetics in emission of pollutants. The ener-

gy consumption, even despite the slight decrease in 1994, is still higher than it is in advanced countries. The prices of electricity and gas are still subsidized, which is not a motive of taking economical measures. The results in the area of waste management are impressive but the situation is not satisfactory so far. By the end of 1994, only less than one fifth of the landfills had fulfilled the requirements of the present legal regulations. A similar situation existed in the field of incinerators. Another problem has emerged in some regions where the capacities of the new waste dumps are so large that it is very difficult to secure by contracts at least minimum quantity of waste that would help to pay the credits given for their establishment.

Contributing to the improvement of environment have also been the **transformational processes in agriculture and forest management**. The agricultural production went down to about 4.5% of the gross domestic product, the size of cultivated agricultural areas got smaller, the number of livestock decreased too. What dropped considerably was the consumption of all kinds of fertilizers and other chemical substances. In contrast, the wood areas got slightly larger (to about 33.3% of the territory of the whole state).

On the other hand, the new economic conditions and above all the quick development of some entrepreneurial activities have a negative influence on the environment. For example, the increased interest in extraction and export of some raw materials, excess ecological burden of some new production enterprises on the surroundings and above all the significant growth of individual automobile transport worsen locally the quality of environment, increase the level of noise, etc. The complicated character of the present state in road transport can be seen if we realize that the number of

motor vehicles increased in 1989–1994 by roughly 300%, even the heavy truck service still often running through towns.

14 new laws, a lot of amendments and other legal provisions were passed which, together with other changes, have already brought the first positive results.

- **The Environmental Act** which stipulates the principles of environmental protection. The law fulfils its function but the responsibility of individual institutions is not clearly defined in the valid general formulations.

- **The Act on the Environmental Impact Assessment.** This law is successfully applied in the Czech Republic in approving **new construction**, when the subjects of assessment are explicitly specified buildings, activities and technologies. The law stipulates the extent of assessment as well as the procedure, conditions and manner of approval. A similar procedure is suggested for assessing **conceptions** from the spheres of energetics, transport, waste management, extraction and processing of raw materials, etc. Under this law also **products** are objects of assessment: the relevant institution itself selects some products in cooperation with the central organ of state administration for the sphere of testing. If the stipulated regulations are not respected, fines are applied according to the consequences for the environment. The experience shows that the process of assessing influences on environment is an efficient instrument for environmental protection and that the legal adjustment of the subject and the aims of assessing the influences on the environment bring a lucid system necessary for this process.

- **The Act on the State Environmental Inspection and its Jurisdiction in Forestry Protection and the Act on the State Environmental Fund** unite the checking activities and state financial support of environmental protection.

- **The Act on the Protection of the Air Against Pollutants (The Clean Air Act)** and the subsequent laws and provisions significantly stimulate the industry to take protective measures and evoke investments worth tens of billions Czech crowns. Its implementation by the fixed time will mean a fundamental improvement of the quality of air by decreasing the emission of pollutants by tens of per cent. The

normative instruments have been determined in an adequate way, but the fees for polluting the air fulfil their fiscal function only to a limited extent and are not a sufficient stimulation of decreasing pollution by themselves. The end of the year 1998, the deadline by which the determined emission limits must be achieved, shows to be realizable for about three-quarters of the operators of pollution sources.

- **Act on Protection of the Ozone Layer**, which is in conformity with the international obligations of the Czech Republic.

- **Act on Waters (The Water Act)**, including the subsequent regulations, adjusts, besides water protection, also the water management regime. The legal adjustment fulfils its function in principle, which manifests itself in the gradual improvement of the quality of water, but it does not adjust the property relations in a satisfactory way. The economic tools fulfil both the fiscal and stimulating functions to a limited degree.

- **Act on Protection of the Agricultural Land** is aimed at land as a production means: it does not adjust the land protection as a component of environment and becomes, in some cases, an obstacle of construction in urbanized regions.

- **Act on Protection and Utilization of Mineral Resources, Act on Mining Operations, Explosives and Mine Administration and Act on Geological Work and the Czech Geological Office** deal with the geological and mining problems. These laws were passed in 1988; however, they do not regulate the present legal, property and entrepreneurial relations to minerals and mining activities satisfactorily and do not provide sufficient support to protection of irretrievable natural resources.

- **The Waste Act** from 1991 does not correspond to the present situation, needs and trends or to the requirements to bring the legislation in harmony with the EU and OECD. Therefore an amendment of this law is being discussed at present.

2. STATE ENVIRONMENTAL POLICY

In 1995 the Government of the Czech Republic approved a new strategic document – State Environmental Policy. The fundamental principles are based on the conviction that activities performed beyond the framework of the irreplaceable state participation can be ensured more efficiently on the basis of private law under the condition that the state creates a corresponding legal and institutional framework. The irreplaceable participation of the state includes those environmental activities that cannot be ensured by anybody else (it is particularly the environmental components protection, such as air, climate, important water streams, ecosystems); the state creates the legal framework for environmental protection and ensures the fulfilment of international obligations.

Further principles of the state environmental policy include creation of normative and economic tools. In creating the **policy normative tool** (limits, standards, prohibitions, orders, binding time limits), the principle of **critical loads** is applied (the highest admissible limit of pollution which, with a corresponding degree of safety, will not cause any damage), the **principle of technological availability** (correcting the size of critical loads) by technological possibilities, or by stipulating prohibitions) and the **principle of precautionary principle** (in cases when the present knowledge does not make it possible to determine a long-term impact of the planned activities on the environment). **The economic policy tools** (fees, taxes, subsidies) are based on the principle of economic responsibility for environmental damages, thus endeavouring to motivate a choice of activities favourable for the surroundings;

On the basis of a preliminary analysis, the environmental policy has determined the following order of priority problems:

- For the short-term period – until 1998 – the basic criteria for the choice of priorities are the following: **decrease of risks for human health and priority protection of those environmental components that can transfer pollution on the other components**, i. e. increasing the environmental quality by decreasing pollution emissions, raising the quality of water by limit-

ing the pollution discharge, decreasing the production of wastes, especially of the dangerous ones, eliminating the effects of the dangerous physical and chemical factors, priority sanitation of the risky old environmental loads.

- **For the middle-time period** – 1999–2005 – solutions of further priority problems are expected: ensuring of such a structure of area utilization that will be a condition of component protection efficiency (protection of water, land, climate) and will keep preferring international pledges: measures will be drafted and implemented which increase the capability of the countryside to keep water (Programme of water systems revitalization), the reconstruction of woods damaged by emissions and renewal of areas devastated by mining will go on.

- **Long-term priorities** of the environmental policy are the following: climate protection by decreasing the “hot-house” gas emissions, protection of the ozone layer of the Earth, protection of biological variety.

In view of the Czech Republic becoming a member of the OECD and of the membership in the EU being prepared, all principles and all measures of the environmental policy of the Czech Republic have been so conceived as to implement gradual harmonization of the normative, economic, informative and institutional instruments with EU countries. By approving these principles, the **Czech Republic acknowledges the idea of Sustainable Development** as a relevant trend of the present time.

3. SUPPORTING PROGRAMMES

In order to solve some particularly pressing problems, the Government adopts individual special programmes of state support:

- **The Radon Programme** was declared by the government in 1990 with the aim to seek and sanitize objects in which the exposition to radon is exceeded too much on the one hand, and to ensure that construction of such buildings should never be repeated on the other hand. The programme requires to create, use and gradually improve the methods of measuring radon as well as to take a number of sanitary and preventive building and technical anti-radon measures. In order to ensure a complex approach to the solution of radon problems, an interdepartmental radon commission has been set up. In the atmosphere of the buildings and flats, radon and its "daughter" products are the greatest risk following from the natural resources of ionizing radiation. With regard to the geological conditions, a relatively large area of the Czech Republic is exposed to these dangerous influences. The estimate says that about 3% people live in such risky houses and flats.

- **The Programme of Air Sanitation** has been introduced with the aim to initiate changes of the heating system into more ecological forms. In the heating plants as well as stoves brown coal (lignite), briquets and coal slush in housing and other objects, or in communal and industrial energetics devices with output until 50 MW.

- **Programmes of state support** for decreasing fuel and energy consumption are administered by the Czech Energy Agency of the Ministry of Industry and Trade. They are programmes of support of consultancy in the sphere of energy consumption, of utilizing renewable and untraditional resources of energy and of technical measures leading to decreasing the fuel and energy consumption in buildings and flats. A criterion of getting financial support is the maximum contribution in the sphere of saving energy achieved by implementation of the measures proposed. The support can only amount to the maximum sum fixed for a flat if the investment expenses are within the limits given.

The Czech Energy Agency further prepares newly conceived state support programmes for energy-saving measures. The basic change will consist in looking out prospective demonstration projects in all spheres of consumption, conversion and obtaining energy, which will be given technical and financial support. The programmes and their variants will demonstrate, for example, possibilities of saving in dwelling houses, schools, hospitals and other public buildings, saving in industry and others. The number and extent of the really supported programmes will be naturally limited by the total sum of financial means. The sum presupposed for the year 1996 will undoubtedly only enable supporting selected demonstration projects and initiate, by presentation of their results, their multi-repetition, even without another state support.

VI. International cooperation

As a new independent state, the Czech Republic continues its work in the **United Nations**, following in footsteps of the former Czechoslovak Republic which was **one of the 51 founding members in 1945**. Participating in the establishment of this organization since the very beginning were representatives of the Czechoslovak Government, whose signatures can be found on the UN Declaration of 1st January 1942 as well as on the UN Charter of 26th June 1945. (At the UN Conference on International Organizations, Czechoslovakia was elected to the 13-member executive committee which supervised the elaboration of the basic document.) The Czech Republic was admitted as a new member on 19th January 1993 and became the 179th regular member of the UN.

The Czech Republic takes an active part in the activities of the UN bodies and specialized agencies, such as UNDP, UNEP, UNIDO, ILO, WHO, IBRD, EBRD. **From 1996 on, the Czech Republic is a member state of the UN Commission for Human Settlements (UNCHS)**. The many-year participation of the Czech Republic in the work of UNESCO, the deep tradition of protection of historical buildings as well as of whole quarters, and the value of the historical towns have been appraised by including the historical centres of Prague, Český Krumlov, Telč and last year Kutná Hora in the list of the **UNESCO world cultural heritage**.

Very important for the Czech Republic is the possibility to **participate in the work of UN/ECE – Economic Commission for Europe (ECE) and its Committee for Human Settlements**, whose work is to a great extent orientated at countries undergoing transformation. It is also important for the Czech Republic to be a participant in workshops on housing and urban planning; information and publications from seminars, studies, recommendations for indicators connected with housing, urbanism etc., are also useful. Within the preparations for HABITAT II, the Czech Republic cooperated in four projects of the ECE UNO Committee for human settlements:

- principles of housing policy.
- principles of planning sustainable development and management of settlements.
- guidelines for administration and registration in regions.
- strategy of implementation of renewal and modernization policy.

A glossary and a study of innovations in housing financing is being elaborated. The points mentioned above have become part of the basic contribution of the ECE region to HABITAT II.

The Czech Republic has already fulfilled part of the association agreement with the European Union: **in January 1996 an official application for admitting the Czech Republic into the EU was submitted**. The extensive work connected with the preparation for admittance into the EU is controlled by a special government committee headed by the Prime Minister. **In cooperation of the Czech Republic with the EU states, it is possible to mention a number of successful seminars and consultative meetings, providing documentation, etc.** One example can be shown, namely that in the case of the FRG and Austria as neighbouring countries these contacts broadened to **direct cooperation between towns and individual institutions, and to border cooperation**. In this connection, the Programme of Cross-Border Cooperation in Czecho-Bavarian and Czecho-Saxon regions should be mentioned. In the framework of this programme individual investment actions are already being put into effect. Cooperation proceeds in various ways. For example, in 1995, with the financial and personnel help of the Federal Ministry for Physical Planning, Building and Construction of Towns in the FRG, instructive material was prepared – **Communal Conception of Housing** for the Czech Republic, designed as a model for the town of Plzeň.

By the end of 1995, the so-called **"Accession Agreement" with the OECD** was signed. This completed the procedure of admittance based, among others, on thorough investigation of the economic development and the eco-

conomic policy. It also raised the position of the Czech Republic in the international context. It is possible to expect further strengthening of the cooperation and of financial contacts with many countries as well as with important international institutions. Besides the economic significance it is also necessary to mention the political significance of the acknowledgement of the democratic stability and the proceeding successful transformation.

As a regular member of the **Council of Europe** the Czech Republic also takes an active part in the work of this organization, especially work concerning the problems of towns (e. g. the European Charter of Towns, various international meetings of experts, etc.). The town of Telč has become an experimental model town of the Council of Europe, called "Telč XXI", a programme of regeneration and protection of monuments and nature for the 21st century.

Among the non-governmental organizations with which the Czech Republic has good contacts is also the **IFHP** (International Federation for Housing and Planning). The extent of participation also reflects the fact that the IFHP immediately dealt with the problems of countries undergoing transformation at the beginning of the 1990s. In 1995, in cooperation with the ECE, the RID centre (Research, Information, Documentation) attached to the Institution of Urban Development in Brno – set up in cooperation with the IFHP – organized a successful seminar on "Town Management and Housing Policy". The centre is preparing similar seminars for the year 1996 and intends to continue in this sphere.

The cooperation of the Czech Republic with other non-governmental organizations, such as CECODHAS, ENHR, INTA or ISO-CARP, could be assessed in a similar manner.

In extent and orientation, the **PHARE Programme** represents the most complex independent source of foreign support which the European Unity gives to eleven states of Central and Eastern Europe. In 1994 the European Council decided at its meeting in Essen that the PHARE programme would become a middle-term financial instrument of help in preparation of the association states for membership of the European Union. At the same time many programmes of PHARE con-

cern housing policy. For example, after studying the programme of certification of economic development, the towns (regions) are able to act as equivalent partners of foreign institutions and know how to prepare and publicize their offer of investment opportunities.

In 1994, the Governments of the Czech Republic and the United States of America signed an agreement which initiated the programme of financing municipal infrastructure (Municipal Infrastructure Finance Programme) in the Czech Republic. The programme has priority in the strategy of the **USAID** support of the Czech Republic. The aim of this agreement is to help create a market orientated system of middle-term and long-term credits given to towns and villages, which would reform effectively the system of municipal infrastructure in relation to housing.

Another example is the activity of the **Town Renewal Foundation** which was established with the help of several Dutch institutions in 1992. It tries to find a real, i. e. in practice repeatable, solution of the problem of overall renovation of multi-dwelling houses. The Foundation is mainly interested in quarters from the 19th and the beginning of the 20th centuries, in areas where great changes in the structure of property relations took place after 1989. Emphasis is put on the method of cooperation (participation) of the landlords and tenants in the preparation and implementation of housing renovation.

Some countries also help several towns to improve the methods of energy management in dwelling buildings.

As the economic development proceeds, the Czech Republic begins to prepare themes and to investigate the possibilities of help to less developed countries, in particular in the sphere of consulting and training. In this sphere it is possible to continue in the tradition of sending Czech experts to developing countries.





ARCH '96

7th INTERNATIONAL BUILDING FAIR

September 24 – 28, 1996

**The largest
building fair
in the Czech
Republic**

**Prague-Strahov
exhibition grounds**



ABF Praha
Václavské náměstí 31
111 21 Praha 1
Czech Republic
Phone 0042-2-20513302,
Fax 0042-2-20511109

2nd INTERNATIONAL EXHIBITION
OF BUILDING EQUIPMENT AND MECHANISATION



TECH '96

HOUSING IN THE CZECH REPUBLIC

National Report for the United Nations
Conference on Human Settlements – Habitat

Authors: Jan Wagner, Daniela Grabmüllerová,
Milena Menzlová, Jaroslav Kohout, Jaroslav Kubečka,
Jan Kára, Alois Andrlé, Miloš Červený, František Matyáš

Translation: Pavla Dlouhá

Published by: ABF, a. s. Prague, in co-operation
with the Housing Policy Department of the Ministry of Economy
of the Czech Republic on the occasion
of the UN World Conference HABITAT II in Istanbul.

ABF, Václavské nám. 31, 111 21 Praha 1
1996

© ABF, a. s.
© MH ČR