

I. FRAMEWORK FOR THE HOUSING SECTOR

A. Politics and progress in economic restructuring

The Constitution, adopted in September 1992 following the Declaration of Independence and National Sovereignty, established Slovakia as a parliamentary democracy. Since 1993, Slovakia has had to face the difficult tasks of building a market economy and establishing the institutions of an independent State. The process of separation from the Czech Republic compounded the economic difficulties. Political instability and the lack of a broad social consensus on economic reform presented additional obstacles to the transformation process. Elections in September 1994 led to the formation of a coalition government.

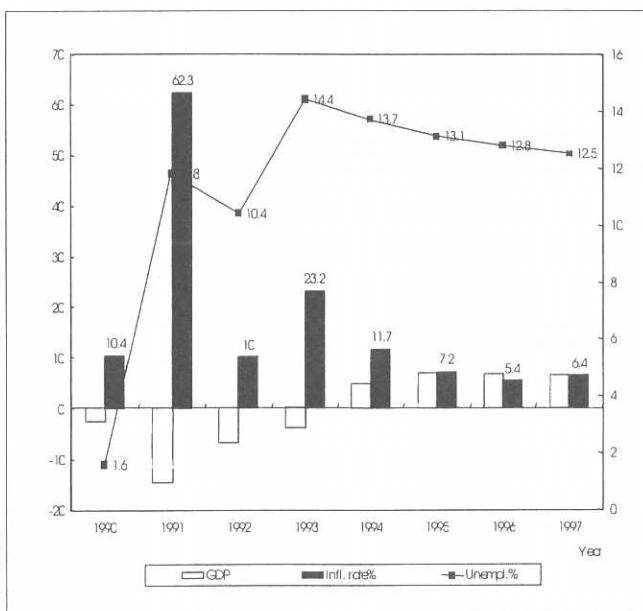
The reform process has brought about price and trade liberalization, rapid privatization, the establishment of economic institutions, and the introduction of bankruptcy and competition. However, due to the structure of its industry, Slovakia was hit hard by the loss of eastern markets, which explains the deep recession from 1989 to 1993, when GDP fell by a quarter. The Slovak economy enjoyed an impressive turnaround in 1994 with **real GDP growth** of 5 per cent, followed by a 6.9 per cent increase in 1995 (figure I).

As a result of tight monetary and fiscal policies, **inflation** has remained under control and is one of the lowest in the transition economies. Following the peak of 11.7 per cent in 1994, it declined to an average of 5.4 per cent in 1996. However, because of buoyant domestic demand and some adjustment of administered prices, inflation accelerated again in the first months of 1997. **Unemployment** rose very quickly in Slovakia after the start of the economic reform. It peaked at 14.4 per cent in 1993, but declined to 12.5 per cent at the end of 1997. The proportion of long-term unemployed is high. The evolution of these major macroeconomic indicators is presented in figure I.

A programme of rapid **privatization** began in 1991. It was based on vouchers and was followed by direct sales/management buy-outs, bringing the private sector share to 70 per cent of GDP. Since 1995, however, many large companies have been privatized in a less transparent fashion, yielding little revenue to the public authorities. The Government maintains a controlling share in a number of "essential and strategic companies", such as energy, utility, telecommunication and railway companies. The construction and housing industries are almost completely privatized. Since 1989 the increase in the number of small and medium-sized enterprises (SMEs) has been impressive. SMEs now account for 35 per cent of gross output in the industrial sector. In construction, road transport, and distribution, their contribution is approximately 80 per cent.¹

FIGURE I

Changes in GDP growth, inflation and unemployment, 1991-1997



Sources: Statistical Office, *Statistical Yearbook* (Bratislava, 1997); United Nations Economic Commission for Europe, *Economic Survey of Europe* (Geneva, 1998).

TABLE I
Key economic indicators

	1994	1995	1996	1997
Real GDP (% growth).....	4.9	6.9	6.6	6.5
GNP per capita (US\$ at purchasing power parity [PPP]).....	6 660	7 090	n/a	n/a
Average gross monthly wages (US\$)...	196.4	242.0	266.0	274.4
Unemployment rate (end of period).....	13.7	13.1	12.8	12.5
Inflation rate.....	11.7	7.2	5.4	6.4
Trade balance (US\$ billion).....	0.76	0.3	-2.2	-1.4
Industrial output (growth rates).....	4.9	8.3	2.4	2.7
Construction (% of GDP).....	4.6	4.6	4.7	5.3
Housing investment (% of GDP).....	0.2	1.0	1.4	1.6
Budget balance (% of GDP).....	-5.2	-1.6	-4.4	-5.7
Foreign direct investment (% of GDP)	1.3	1.0	0.8	4.0

Sources: Statistical Office, *Statistical Yearbook* (Bratislava, 1997); United Nations Economic Commission for Europe, *Economic Survey of Europe* (Geneva, 1998).

¹ Institute of Slovak and World Economics, *Economic Development of Slovakia in 1997* (Bratislava, 1998).

As indicated in table 1, Slovakia has a negative trade balance. Industrial production has recovered from the initial shock of the early 1990s, but the annual growth rate has declined from 8.3 per cent in 1995 to 2.7 per cent in 1997. Industrial output in 1997 is still only 80.8 per cent of its 1989 level. Investment in construction has remained stable in the mid-1990s, however **housing investment is negligible and amounted to 1.6 per cent of GDP in 1997**. During the first year of independence, the general **government deficit** rose to 7.6 per cent of GDP. Despite the difficulties of setting up a new tax administration, public finances improved considerably in 1995 thanks to higher-than-expected tax receipts, generated by higher growth. In 1996, the government deficit was 4.4 per cent of GDP. **Foreign direct investment** remains very low at only 0.8 per cent of GDP in 1996, due to a lack of confidence in the commitment to market reform, the exclusion of foreigners from the privatization process and political uncertainty.

The financial sector and trade relations

The National Bank of Slovakia is independent from the Government. It is responsible for monetary and exchange rate policy and for banking regulation and supervision. Interest rates have been fully liberalized and monetary policy is now fully applied through indirect instruments. The number of banks operating in Slovakia has increased from only 4 at the end of 1991 to 29 (10 without foreign capital participation, 14 with foreign capital participation, and 5 branches of foreign banks). However, the banking system remains heavily concentrated in the three largest banks, which are still largely State-owned. The market for short-term funds is not yet fully developed, although it has the structure and features of money markets in mature market economies. Capital markets remain fragmented and illiquid, and the legislative framework needs to be developed further. The low liquidity of the domestic market is perceived as a major obstacle to the development of mortgage loans.

Slovakia has a liberal and transparent trade regime, characterized by moderate tariffs and the infrequent use of non-tariff barriers. Slovakia has reached trade agreements with the European Union (EU), the European Free Trade Association (EFTA) and the Central European Free Trade Agreement (CEFTA), and is a founding member of the World Trade Organization (WTO). The Czech Republic is Slovakia's single most important trading partner, absorbing 31 per cent of Slovak exports and providing 24.5 per cent of Slovak imports in 1996. The EU is the biggest trading partner, accounting for around 36 per cent of Slovak imports and 41 per cent of exports. Germany takes up about half the EU trade with Slovakia. Bulgaria, Hungary, Poland and Romania are important export markets.

Agricultural reform has been slow. Before 1989, over 80 per cent of cultivated land was owned by collective or State farms. Since then, legislation has been introduced to return the land to the original owners, to transform the collective farms into privately owned cooperatives and to privatize State-owned farms. In practice, only few State farms have been privatized, due to uncertainty over land restitution claims, the lower quality of their land, obsolete machinery and high debts.

B. Trends in urban and rural development: new challenges

The urban settlement structure

Slovakia covers 48,845 square kilometres. Administratively, the country is divided into eight regions (*kraje*) and 79 districts. Slovakia has 2,680 municipalities, which under the Act on Communes No. 369/90 became sovereign administrators of their territories and property. Another step in the reform of the local public administration is stipulated in the "Principles of Public Administration and the Proposal for Territorial and Administrative Division of the Slovak Republic".

FIGURE II
Map of Slovakia



Slovakia has 136 towns, which are home to 54.2 per cent of the population. Bratislava—the capital city—and Košice have more than 200,000 residents. Eight towns have 50,000 to 100,000 inhabitants, while 25 towns have 20,000 to 50,000 inhabitants. The country has an average population density of 108 persons per km², one of the lowest in central and eastern Europe. Slovakia is less urbanized than other countries in transition and has a unique settlement structure dominated by small communities with fewer than 5,000 inhabitants. The urban settlement structure in Slovakia is closely tied to the economic potential of the territory. Urbanization during State socialism was driven by intensive industrialization. Rural migration to industrial centres generated excessive demand for new housing, which was met by the mass production of large-scale, high-rise housing estates.

Market forces driving the economic restructuring in the 1990s affect the dynamics of growth in the urban settlement structure. In the past four years cities with more than 100,000 inhabitants, but also cities with 10,000 to 50,000 inhabitants, have grown the most (table 2). The highest growth rates were recorded in Bratislava, followed by Košice, Trnava, Nitra, Banská Bystrica, Prešov and Poprad. Between 1990 and 1995 prefabricated housing construction has been halted, retail and service networks have proliferated, industrial production has been restructured, historic urban centres have been upgraded and peripheral housing estates made more attractive.

TABLE 2

Urban settlement structure and population growth, 1970-1994

	Number of inhabitants (thousands)		
	1970*	1991*	1994
Fewer than 10 000	584.5	386.1	390.4
10 001-50 000	835.6	1 293.9	1 324.9
50 001-100 000	-	640.0	648.4
100 001 and more	450.4	677.4	690.7
Total	1 878.5	2 977.4	3 054.4

Source: Slovak Environment Agency, *National Report on Human Settlement and Housing Development in the Slovak Republic (HABITAT II)* (Ministry of Environment, Bratislava, 1996).

* According to the territorial structure in 1970 and 1991.

The rural settlement structure

More than 2,000 rural settlements have maintained their economic vitality in the past 50 years. The highest rural settlement density is in the west of Slovakia. Though smaller communities in less productive locations lost population due to migration, most of the rural communities maintained their population in the 1970s and 1980s and even experienced growth, reflected in the construction of new detached houses and renovation of existing ones. The rural landscape today is changing due to the privatization of farm cooperatives and State farms, the change in land ownership patterns and the steep growth in prices. There are three categories of rural communities:

(a) Communities in the hinterland of larger cities; they have the most potential for development;

(b) Communities in fertile areas oriented towards grain production;

(c) Communities where local prosperity depends on the availability of technical infrastructure and resources for agricultural development.

The development challenge

The economic reform has deepened regional inequalities and led to pronounced regional differences. Economic and social development in different regions is closely linked to their demographic structure, labour resources, settlement structure, infrastructure, resources and productivity. Production is mainly concentrated in the west (Bratislava and neighbouring districts) and around Košice. Unemployment is unevenly spread, varying from 4 per cent in Bratislava to more than 20 per cent in some rural districts. These regional differences in unemployment are also related to the existing economic potential, and to the relatively underdeveloped transport and communication infrastructure in some rural regions, low labour mobility, and scarce and expensive housing in regions with fast economic growth. The situation is particularly critical in Bardejov, Eadca, Dolný Kubín, Lučenec, Rimavská Sobota, where industrial production is losing its competitiveness because its product quality is too low and its inputs too expensive.

Urban and rural housing differentiation is set to increase. An evaluation of the housing standards in cities with more than 10,000 inhabitants and in other, mainly

rural-type, settlements, does not explicitly manifest a higher housing standard in larger urban-type settlements. Housing is better serviced with central heating, water supply and sewerage systems in the urban areas. Rural areas, on the other hand, have higher housing consumption and a higher percentage of dwelling units in detached houses, as well as a higher percentage of census households coexisting in a dwelling unit. In 72 selected towns merely 19.5 per cent of dwelling units were in detached houses; in the remaining settlements the share was as high as 84.4 per cent (Statistical Office, 1991 census data). In 63 towns the average floor space of a dwelling unit was below the national average. In larger towns the average number of persons per unit was 3.07. In rural settlements it reached 3.74.

The technical infrastructure in Slovakia requires a considerable amount of investment. The split from the Czech Republic has led to a modification in the urban development system and transport network. Urbanization has gained a new dimension reflecting close connections with Europe. The western part of Slovakia, with linkages to Budapest, Bratislava, Vienna, Brno, Ostrava and Katowice, has the most promising development prospects within Europe. The current level of the Slovak transport infrastructure is below the European standard. Its road network coverage, despite the good quality of "I. class" roads and a 195 km long motorway network, generally requires massive investment for upgrading and maintenance. In 1995 the Government adopted a new concept of motorway network development. Preparatory works are taking place with the objective of finalizing the construction of a motorway network with a total length of 660 km before the year 2005. Internationally, Slovakia will be linked to the motorway network of Austria, the Czech Republic, Hungary, Poland and Ukraine. The transregional railway system largely coincides with the road network. Thirty-six per cent of the railway lines are electrified, however only part of the railway lines in west Slovakia allows for speeds above 120 km/hour. Slovakia has six airports. Bratislava and Vienna airports cooperate to facilitate international air traffic. Transport by waterway is dependent on a European river of prime importance—the Danube—which links Slovakia, Austria and Hungary.

Slovakia has 47 large and 284 small water reservoirs (dams, lakes, etc.). The country is rich in groundwater resources and has 12 water protection areas. Although the share of the population connected to the water-supply system has increased to 78.4 per cent, water-supply networks in some rural communities are inadequate or non-existent. Regional differences exist with respect to sewage networks. While in Bratislava 96.0 per cent of the population is connected, in eastern Slovakia the share is as low as 42.3 per cent, and in central Slovakia it is 50.8 per cent.²

Environmental issues are mostly related to pollution and problems due to the intensive industrialization of the past fifty years. The emphasis on heavy industry with often obsolete technologies led to excessive volumes of waste, increasing demand for material inputs, and the deterioration of the environment in general. Environmental pollution and degradation account for lower average life expectancy, a significant rise in allergies and occupational disease. Health problems are closely associated

² Slovak Environment Agency, *National Report on Human Settlement and Housing Development in the Slovak Republic (HABITAT II)*, 1996.

with pollution in most large cities—Bratislava, Košice, the Upper Nitra region, Zilina and Central Spiš. Air, water and soil pollution resulted from mining, energy generation, metallurgical and machine engineering operations. These trends were reversed in 1990. Economic transition was accompanied by a dramatic decline in industrial output, contracting energy consumption, and closing-down of obsolete industrial plants. As a result, environmental pollution fell substantially. Future development depends on effective environmental legislation in line with European standards and the ability to introduce environmentally friendly technologies in the production processes.

Efforts to create an active environmental policy stem from a number of legal norms intended to protect individual components of the environment in the 1990s. Resolution No. 449 of May 1992 adopted the Concept of Environment Monitoring in the Territory of the Slovak Republic and the Concept of an Integrated Information System on the Environment in the Slovak Republic. The Ministry of the Environment, together with local environmental agencies, act to protect the natural habitat, the quality of water and air, and non-renewable resources. The new Principles and Priorities of the State Environmental Policy stipulate that the essential goal is to re-

establish a dynamic balance between society and the environment. A combination of two mutually complementary strategies is used to implement specifically formulated objectives:

- Remedial measures aimed at eliminating “old” sources of pollution;
- Preventive measures directed towards closed production and consumption cycles with minimal negative impact on the environment.

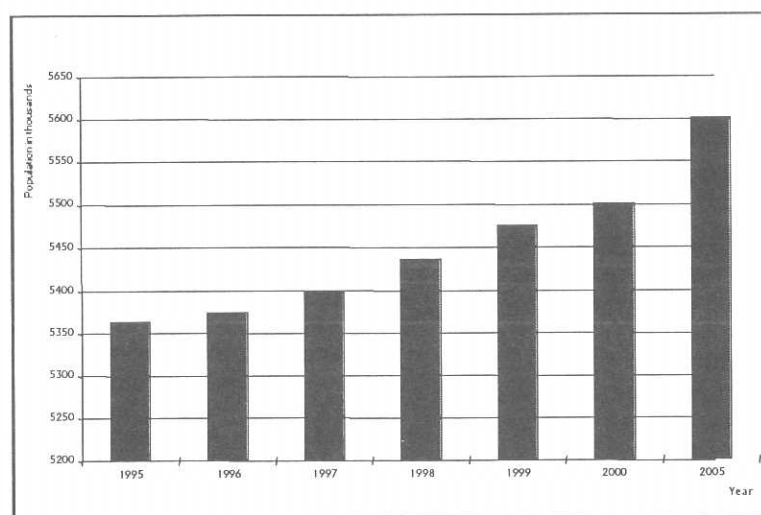
The implementation emphasizes the importance of comprehensive environmental legislation, consumption patterns, economic mechanisms and cooperation between government, businesses and consumers.

C. Social development

Demographics

Slovakia had an estimated population of 5,373 million in 1996. Population growth was reduced from 1.8 per cent a year in the mid-1950s to less than 0.5 per cent now, which implies a gradual ageing of the population. Projections for future population growth are presented in figure III.

FIGURE III
Population growth by the year 2005



Sources: Statistical Office, *Statistical Yearbook* (Bratislava, 1997); UNDP *Slovakia Human Development Report*, 1996.

TABLE 3
Demographic indicators

	1992	1993	1994	1995	1996
Mid-year population	5 306 539	5 324 632	5 347 413	5 363 676	5 373 810
Total increase	18 278	22 300	19 752	11 583	11 142
Number of households (national)	1 778 000	n/a	1 787 000*	n/a	n/a
Number of households (Bratislava)	175 000	n/a	176 000*	n/a	n/a
Marriages per 1,000 inhab.	6.4	5.8	5.3	5.1	5.1
Divorces per 1,000 inhab.	1.52	1.53	1.62	1.67	1.75
Live births per 1,000 inhab.	14.1	13.8	12.4	11.4	11.2
Deaths per 1,000 inhab.	10.1	9.9	9.6	9.8	9.5
Natural increase per 1,000 inhab.	4.0	3.9	2.8	1.6	1.7

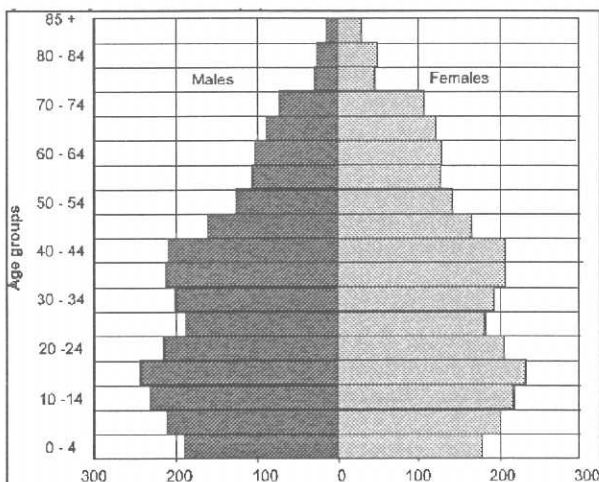
Sources: Statistical Office, *Statistical Yearbook* (Bratislava, 1997); Census of population and housing (Bratislava, 1991)

* Data derived from 1994 Microcensus of Population and Housing.

As table 3 indicates, the total increase in population was 11,142 in 1996, substantially lower than the 18,278 in 1992. Household formation indicates a modest growth in the number of households, particularly in the capital city, where households increased by 1,000 within 3 years.³ Meanwhile the birth rate has declined to 11.2 children per 1,000 inhabitants in 1996. Social upheavals have had an unfavourable effect on marriages, which have fallen to 5.1 per 1,000 inhabitants. The lower death rate and longer life expectancy can be attributed to improved health care. Overall, the natural increase in population has declined from 4 per 1,000 inhabitants to 1.7. These demographic developments need to be taken into account in estimating future demand for housing.

Slovakia's population has an unbalanced age structure. Life expectancy at birth in 1996 was 68.4 years for men and 76.3 years for women. Women represent 51.3 per cent of the population. Currently, 42.3 per cent of employed persons are women and 97.8 per cent work full-time. The gender differences in the age structure of the population are presented in figure IV.

FIGURE IV
Age structure of the population, 1994



Sources: Statistical Office, *Statistical Yearbook* (Bratislava, 1997); UNDP, *Slovakia Human Development Report*, 1996.

Ethnicity, mobility and social change

The population is ethnically diverse. Slovaks made up 85.67 per cent of the population in 1996 and have maintained their share in the past five years. According to the 1991 Census, 567,000 persons claimed to be Hungarian (10.8 per cent of the population) and this figure increased to 569,000 in 1994. The Gypsies were estimated to be 254,000 (4.8 per cent), although only 75,800 of them declared their ethnic origin officially. Due to their large families, low education, lack of skills and their lifestyle, the Gypsies are perceived as "socially problematic" and are often associated with low income and social status. Minority groups are spatially concentrated. There are four areas with a mixed Slovak-Hungarian population: the Danube plain area, the basins of south Slovakia, south-eastern Slovakia and Nitra Island. Gypsies are concen-

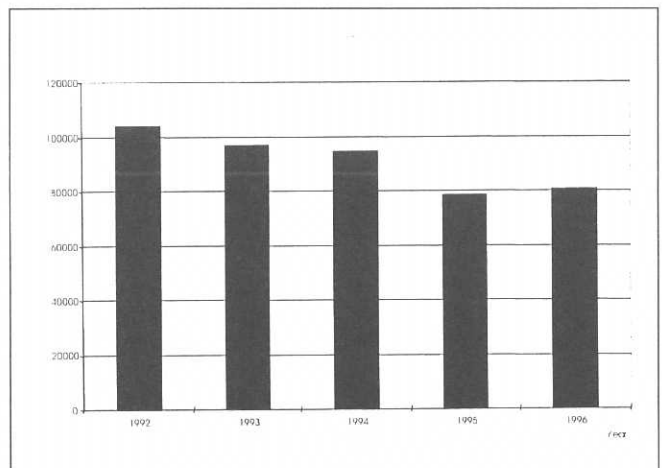
trated in the east and north-east and their share of the population in Gemer and Spiš has increased substantially. The Ruthenian and the Ukrainian regions represent a rather large though sparsely populated area in the north-east of Slovakia (roughly from the Poprad River to the border with Ukraine). Around 90 per cent of all Ruthenians and Ukrainians in Slovakia live there. There are no urban centres to speak of. The Czechs, the Moravians, the Bulgarians, the Poles and the Russians live mostly in Bratislava, Trenčín, Zilina, Košice and Martin.⁴

The level of education of the population is high—the literacy rate stands at 99 per cent. Most secondary education is vocational or technical, which reflects the importance of heavy industries and engineering in the economy. The share of the population with secondary and higher education has increased during the transition.

According to the 1991 Census, Roman Catholics account for 60.4 per cent of the population, followed by Protestants (8 per cent) and Uniates (3.4 per cent). Close to 9.8 per cent of the population is atheist. Currently different religious establishments have a considerable impact on social restructuring.

The Slovak population is less mobile than its west European counterparts. Until 1993 Slovakia suffered annual population losses of 3,500 due to migration to the Czech Republic. Since then, the migration gain of the Czech Republic has declined. Migration to other countries is negligible. It should be noted that economic restructuring has changed traditional patterns of regional in-country migration flows. For example during 1991-1993, 17 districts reported population increases due to migration.⁵ Settlements close to Bratislava gained population. Migrants residing within a reasonable commuting distance from the capital city take advantage of the vacant and more affordable housing stock. Generally, interurban labour mobility is low. Recent data on internal migration indicate that the number of total migrants in 1995-1996 has decreased by 20 per cent compared to 1991 levels (fig. V).

FIGURE V
Internal migration, 1992-1996



Source: Statistical Office, *Statistical Yearbook* (Bratislava, 1997).

⁴ UNDP, *Slovakia Human Development Report 1996*.

⁵ Districts with the largest population increase due to migration: Trenčín, 3.4 per 1,000; Malacky, 3.3 per 1,000; Bratislava, 3.2 per 1,000; and Skalica, 2.8 per 1,000.

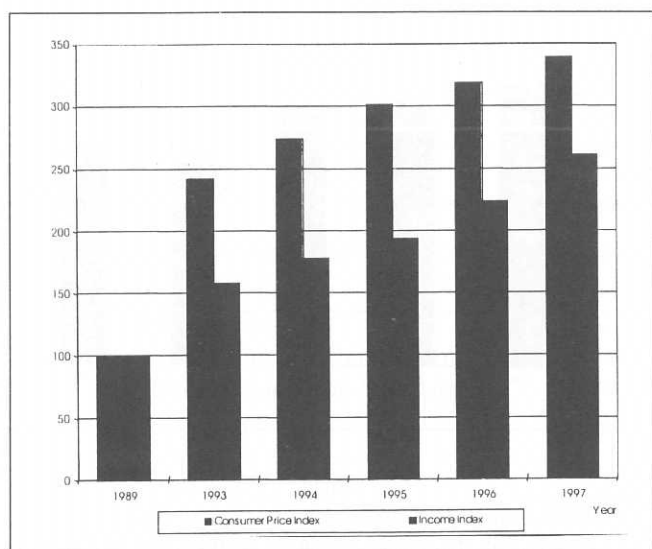
³ According to the 1980 Census of Population and Housing, there were 1,585,000 households in 1980, 138,000 in Bratislava.

Social change

Although the transition from a centrally planned economy to a market orientated system is reflected in the changes in the key demographic and social characteristics of the population discussed above, the most dramatic impact of economic restructuring is evident in the income distribution patterns. This previously egalitarian society has been rapidly transformed into a society where **social and income polarization is increasing dramatically**. Privatization, entrepreneurship and income differentiation have affected social status considerably. These developments have a critical impact on housing demand and the operation of housing markets. The preferences of the newly established high-income groups determine the supply of housing at the high end of the market—a trend that is visible in Bratislava, Košice and other buoyant markets. By contrast, at the lower end of the income scale, households are struggling to keep up with the increases in housing construction and utility costs.

Generally, the disposable income of households has decreased in the 1990s. After the “price boom” in 1992 associated with price liberalization, consumer prices have stabilized. However, increasing prices of goods and services, housing costs, rents, transport, etc. have had a considerable impact on the **cost of living**. For example between 1990 and 1994, rents increased 100 per cent and utilities 416 per cent. By comparison, the cost of living between 1989 and 1994 increased 173.8 per cent. According to the Act on Subsistence Provision (Act 463/1991), the percentage of households living in poverty in 1992 and 1994, respectively, was 2.7 per cent and 2.2 per cent. Despite efforts to adjust wages, social security payments, pensions, etc. to inflation, prices—measured by the consumer price index—have increased much faster than incomes (fig. VI). These imbalances account for the existing **affordability gap** in the present housing markets. In summary, consumers are devoting a larger share of their incomes to housing.

FIGURE VI
Consumer and price indexes, 1989-1997



Source: Ministry of Labour, Family and Social Affairs, *Report on the Social Situation in the Slovak Republic in 1997* (Bratislava, May 1998).

NOTE: Consumer and price indexes are compared to 1989 = 100 per cent.

D. Housing reform

The socialist housing system

Slovakia has inherited an excessively controlled housing system. The system was based on low housing costs, centralized production and allocation of housing. Homeownership in larger cities was discouraged. Land had no value, interest rates, rents and utilities were heavily subsidized. Rents were tightly controlled, averaging only 2.7 per cent of income in 1988. Housing was a political priority and was universally affordable thanks to extensive subsidies and macroeconomic price regulation. The emphasis was on the need to produce large volumes of new housing. Prefabricated technology, offering a limited number of building types, economies of scale and large quantities of mass-produced housing dominated housing production in urban areas.

The lack of housing markets led to reduced labour mobility, and housing overconsumption at the end of the family life cycle. Strong tenant's rights, including perpetual occupancy (transferable to family members), the right to sublet or exchange flats, the obligation of the building owner to find comparable alternative accommodation for tenants in order to evict them, led to housing shortages, particularly in Bratislava and larger industrial centres. This absolute shortage is even higher if low-standard housing is included. Low-standard housing amounts to 14.8 per cent of all housing, and 28.8 per cent of owner-occupied housing. While most modern apartments are connected to public utilities, single-family homes are less well served. Though the socialist housing provision system was inefficient in many respects, through the 1980s, the housing stock grew annually at 1.6 per cent, while the population grew at 0.5 per cent a year. From 1970 to 1991, housing conditions improved—floor space per person increased by 39 per cent to 16.1 m².

National housing objectives

The national strategic views on spatial development and housing are set out in four major policy documents: “Conception of Spatial Development of Slovakia” (1994), “Strategy of the Spatial Development and Organization of the Slovak Republic” (1995), “Conception of the State Housing Policy by 2000” (1995) and “National Report on Human Settlement and Housing Development in the Slovak Republic” (Habitat II, 1996). Within these strategic documents, the **national objectives for housing** are stated as :

- Creation of a broad and effective institutional framework of collaboration and coordination of agencies, ministries and institutions with a direct or indirect impact on the housing sector;
- Gradual implementation of the long-term strategic components (legal reforms, reorganization of institutions and monitoring systems) by the year 2000;
- Rational mobilization and distribution of financial resources;
- Support for housing construction, technical infrastructure provision and building production.

To achieve these strategic goals, the Government has formulated **specific tasks within different fields of activity**:

(a) *Legislation and decision-making:*

- Create a parliamentary committee for housing in the National Council;
- Draw up new legal standards and update the legal framework;
- Establish a national housing agency;
- Develop a State housing policy;
- Establish a national housing development fund;
- Implement the concept of a State housing policy.

(b) *Management and operational systems:*

- Link the conception of the State housing policy by 2000 with national macroeconomic strategies;
- Evaluate the positive social and economic consequences of housing development;
- Support capital accumulation through policy measures;
- Stimulate the supply of land for housing construction, particularly for low-income households;
- Increase the administrative capacity of the land title registration system.

(c) *Financial systems and housing construction:*

- Create a tax system allowing municipalities to mobilize funds for infrastructure development;
- Make housing more affordable through:
 - Support for new housebuilding through the housing development fund;
 - Rent reform and a system of housing allowances;
- Mobilize financial resources for the management and maintenance of the housing stock;
- Revitalize central urban areas for housing and public amenity purposes;
- Introduce cost-effective methods for housing construction and renovation.

Concept of the State housing policy

In November 1995, the Government adopted a new State housing policy concept. One of its key objectives is to ensure a quantitative housing standard of 307 housing units per 1,000 inhabitants by the year 2000. This implied the construction of more than 90,000 housing units, at a rate of 20,000 a year. The prime housing priority is to improve housing standards. Furthermore, the concept seeks to create adequate organizational, institutional, legal and financial frameworks for the provision of new housing and for the renovation of existing housing. The concept legitimizes the “enabling approach” to housing, where individuals assume the primary responsibility for the provision of housing, while the State and municipalities create favourable conditions for private investment and initiative. Recognizing the social responsibility of the welfare

state, housing assistance is targeted to low-income households and other disadvantaged groups (young families, pensioners, persons with disabilities). Subsidies are becoming more targeted and transparent.

The privatization of municipal and cooperative housing is encouraged. It is recognized that the housing policy needs to address the improvement and modernization of the existing housing stock. The deterioration of housing needs to be prevented through the development of efficient maintenance and management practices, and the implementation of special programmes (thermal insulation, energy conservation). The upgrading of prefabricated housing, in the peripheral housing estates in particular, is recognized as a priority. Emphasis is placed on an integrated approach to housing development taking into consideration the development of technical infrastructure, preservation of the historical heritage, environmental attributes and regional differentiation.

The new concept of State housing policy emphasizes the need to regulate the developments in the sector through economic instruments—subsidies, loans, tax and financial incentives. The creation of an autonomous State housing development fund is considered to be the most important step in that direction. An integral component is the liberalization of rents and a system of housing allowances that mitigate the adverse impact of rent increases, particularly on low-income households.

Progress in housing reforms

Housing reforms during the transition period have been marked by their emphasis on the privatization of municipal and cooperative housing, the restructuring and privatization of the housing industry, the reduction in supply and demand subsidies and the deregulation of housing markets. Prices of land, materials and labour were liberalized. New housing markets have profoundly reshaped existing urban communities. Previous uniformity of land and house prices has been replaced by a differentiated system, reflecting location, accessibility of the area and amenities.

Although private development has been permitted and long-standing discrimination against private-sector housing provision eliminated since 1992, there has been little success in streamlining land-use planning and development approval processes. In general, there is an overall shortage of funds and investment in new housebuilding has declined substantially. **Housing subsidies**, which were reduced in 1991, had virtually dried up by 1994, accounting for only 0.8 per cent of the State budget. The old low-interest loan programmes for equity cooperatives and family houses vanished in 1993. The reduction in subsidies has allowed housing costs to rise to near market levels.

In early 1991, the ownership of a large share of the State-owned housing stock was transferred directly to elected local governments. **Privatization** has enjoyed popular support in Slovakia, with over 64 per cent of the tenants indicating their interest in purchasing a municipal or State-owned flat. By the end of 1996, 61,202 public rental units had been privatized. Slovakia's pace of pri-

vatization has been quite slow compared to that of other countries in transition. The limited equity cooperatives were obvious targets for privatization, as members had already contributed towards their housing costs. By December 1996 only about 38,000 of all cooperative flats

had been privatized. The **restitution** of State-owned housing to former owners, or their heirs, was not a substantial issue in Slovakia, accounting for only 0.25 per cent of the national housing stock, and 1.5 per cent of the stock in Bratislava.