

## **HUMAN SETTLEMENT COUNTRY PROFILE**

### **CZECH REPUBLIC**

#### **Decision-Making**

#### **Programmes and Projects**

- A. Providing Adequate Shelter for All
- B. Improving Human Settlement Management
- C. Promoting Sustainable Land-Use Planning and Management
- D. Promoting the Integrated Provision of Environmental Infrastructure: water, sanitation, drainage and solid waste management
- E. Promoting Sustainable Energy and Transport Systems in Human Settlements
- F. Promoting Human Settlement Planning and Management in Disaster-Prone Areas
- G. Promoting Sustainable Construction Activities
- H. Promoting Human Resource Development and Capacity-Building for Human Settlement Development

#### **Status**

#### **Capacity-Building, Education, Training and Awareness-Raising**

#### **Information**

#### **Research and Technologies**

#### **Financing**

#### **Cooperation**

**Decision-Making:** At the central level, housing policy is in the jurisdiction of the Ministry for Regional Development. Some specific aspects of the housing policy are in the jurisdiction of the Ministry of Finance (rent regulation and other regulated prices—of heat, electric power, water, etc.) and the Ministry for Labour and Social Affairs (social allowances including ones targeted at housing). The central government plays a key role through the establishing of the general legal and economic framework for housing. At the local level, housing is in the jurisdiction of individual municipalities; however, their role has not been defined in an unequivocal manner. The Government's role is based on the notion that the state's role in the area of housing is using legal and economic instruments to create a situation where people are able to secure adequate housing, either by their own means or with the state's assistance. Such a model conforms fully to the market-oriented approach to housing, and it allows people to exercise the right to housing which the Czech Republic has agreed to ensure under various international agreements.

Thus, the basic objective of the state's housing policy is creating conditions under which every household is able to secure adequate housing corresponding to its needs and financial situation. Efforts are concentrated especially on improving the financial accessibility of housing, increasing the availability of housing, and improving the quality of housing stock. Other plans that Government has in respect of housing include eliminating economic and legislative barriers which hinder the functioning of the market, improving the existing system of legal and economic intervention instruments with the aim of increasing their effectiveness and efficiency, emphasizing the role of private funds in the housing sector, reducing the role of the state, and increasing the responsibility of individual households for securing adequate housing.

A draft of the new Housing Policy Concept was completed in 2003 and will be submitted to the Government during 2004. This new strategic document emphasizes—much more than before—improvement of the housing policy as an ensemble of legal and economic instruments used by the state to control the situation in the housing sector. The objectives of the new concept are not formulated as an effort to change the state's approach to housing, but rather as an emphasis on eliminating economic and legislative barriers which hinder the functioning of the market and clarifying and defining in detail the existing approach to individual housing market segments and particular social groups. The goal is improving the existing ensemble of legal and economic intervention instruments and increasing their effectiveness and efficiency.

One of the sectoral policies that creates negative externalities for regional development concerns housing. The transfer of State owned housing to municipalities, the subsequent sale of certain real estate to private owners and restitution have only been accompanied by increases in rent levels insufficient to cover maintenance costs by owners. The existing housing stock, whether municipal or private, remains subject to tight rent control benefiting all social categories, thus missing its intended compensatory effect in favour of low income families. A certain "freeze" in tenant's mobility explains the important slow-down in the construction industry over the past ten years, with new housing developments, not subject to rent control, mostly limited to the luxury segment. The lack of a truly liberalized housing market entails huge rent differentials between old and new housing, inner and outer city areas, particularly in and around the capital and between regions. Constitutional Court decisions concerning a progressive liberalization have not yet been followed by a change in legislation that would have the effect of abolishing one of the major obstacles to labour force mobility, the improvement of which could help to prevent further increases in regional disparities. Progressive introduction of a transparent housing market is key to better balanced regional development, offering more true opportunities for job-seekers. The population-ageing process faced by all advanced countries, including the Czech Republic, poses a high risk for mid- and long-term development of the economy. As regards housing, this trend will be reflected in a change of the structure of housing needs (size, barriers, provision of social services).

**Programmes and Projects:** Although the Czech Republic does not have a shortage of housing on a national scale, the situation in individual regions and municipalities differs considerably. In general, in regions and municipalities where a sufficient number of employment opportunities exist, the demand for housing exceeds supply. The result is a higher cost of housing, which is inaccessible for lower-income households. Meeting the housing needs of such households is difficult. This situation exists especially in Prague, other large cities, and their vicinity, i.e. localities, which offer ample employment opportunities. The opposite situation can be found in northern parts of the country, which suffer from high unemployment due to structural changes. Demand for housing and housing prices are very low in such localities. This situation shows that there is a disparity between the availability of employment opportunities on the labour market and supply of housing.

Assessing the effectiveness and efficiency of programmes intended to support construction of new housing up to 2002 is very difficult, if not impossible. The main reason is the fact that instruments of support, as they were conceived, did not meet the usual requirements for programme-based financing, preventing evaluation of their benefits. The problems, which programmes aimed to resolve were not identified in an unequivocal manner, and individual programmes did not have a clearly defined objective. In many cases, the target group at which support was aimed was not identified. In addition, programmes lacked transparent and measurable criteria for assessing their economic and objective effectiveness. This approach resulted in a situation where assistance was almost always disbursed based on demand and not on clearly defined needs. These conditions understandably resulted in a high demand for subsidies. Effective allocation of public funds, however, should not rely on such indefinite parameters. For this reason, since 2003, programmes have undergone fundamental changes, their target groups have been defined in a clear manner, and their use has been made conditional on setting exact technical and financial parameters. The goal is to ensure as economical use of public funds as possible.

A. Providing Adequate Shelter for All: At the beginning of 2003, two new programmes intended to stimulate development of social rental housing were introduced. The first targets households with average and below-average incomes. The other concerns so-called supported housing, which is focused on disadvantaged and vulnerable individuals who face specified housing problems. Both programmes allow municipalities to build new rental housing for the specific target group of needy families; however, their social function will be temporarily weakened because both housing types will be unable to compete with older rental housing where regulated rent is below cost. Municipalities are not allowed to transfer their ownership right to dwellings to another entity. The income of future tenants must not exceed 0.8 and 1.5 of the average monthly income in respect of single- and multiple-member households, respectively. A lease contract is signed for a period of two years with the possibility of a repeated renewal under the same or modified terms.

The programme of supported housing includes the following three subsidy titles. “Protected” dwellings are intended for persons who have a reduced self-sufficiency due to medical reasons or old age. “Halfway” dwellings are intended for persons who have a lower ability to adapt to the life of a normal society. A prerequisite for disbursement of a subsidy in respect of the first two titles is provision of social services. “Entry-level” dwellings are intended for persons who due to an unfavourable situation affecting their lives are unable to find housing despite being able to fulfil the duties relating to lease of a dwelling.

The objective of the interest subsidies to housing mortgages is to improve the affordability of mortgage loans through reduction of monthly instalments, and to increase the number of newly constructed dwellings. The measure consists of payment of a portion of the interest on a mortgage loan. Direct assistance consisting of interest subsidies is currently available only to people below 36 years of age, but it will be extended in the future to all persons acquiring the first dwelling, both new and old. Young people up to 36 years can also receive a state low-interest (3% p.a.) loan to new housing construction.

Based on the German and Austrian models, the subsidized system of construction savings plans has developed considerably and exhibits further growth potential. This is apparent from the gradually increasing number of people participating in construction savings plans, a growing volume of savings and an increasing amount of government subsidies added to savings. The government contributes certain amount to all individuals participating in a construction savings plan.

The objective of the subsidy provided by the state for housing repairs is to improve the condition of the housing stock through modernization and enlargement projects. The subsidy is disbursed in the form a low-interest loan repayable within up to ten years. The recipients are municipalities, which are under the obligation to lend part of the allotted funds to other housing owners. The programme substantially helps reinforce municipal housing budgets, improving the quality of municipalities' housing stock.

The objective of another programme targeted to the existing housing stock is to eliminate defects of prefabricated-panel buildings, which cause an emergency situation. In this sense, subsidies are disbursed for essential repairs ordered by building inspection authorities. The programme is intended for all owners of prefabricated-panel buildings, i.e. municipalities, housing cooperatives, private individuals, and legal entities. The objective of the second “large-panel” programme is to provide interest subsidies for repair, modernization, and regeneration of buildings constructed with the prefabricated-panel technology. Since 2000, there has been another special state programme targeted at the regeneration of existing housing large-panel estates, i.e. transforming them into multifunctional urban areas (construction of transport and technical infrastructure, cultivation of public areas, preparation of regulatory plans of settlements and their parts). The recipients are municipalities in whose territory prefabricated-panel buildings are located.

B. Improving Human Settlement Management: The quality of housing is gradually improving with regard to all household types. The same applies to the technical level of household furnishings. In addition, government subsidies disbursed under several programmes (see above) have created conditions for gradual repairs of prefabricated-panel buildings, even though the rate of progress in this area is still not satisfactory due to the large number of structures of this type.

The above-mentioned support instruments of the national housing policy have started to motivate municipalities to pay due attention to people in danger of social exclusion. In a well-performing market environment provision of special-purpose investment subsidies and setting of conditions for their provision should lead to efficient and economically effective solution of the housing situation of vulnerable persons in the medium term. At present, there are neither complex strategies available for prevention and combating of homelessness nor any relevant information available about this problem or about the number of homeless people.

C. Promoting Sustainable Land-Use Planning and Management: In accordance with the Construction Code (including also a special part on physical planning) the planning objectives and tasks are the following:

- Town & country planning deals systematically and globally with the land use, sets the principles of area arrangement and coordinates the construction and other activities influencing the land development as to their time and contents.
- Planning provides the background for sustaining the permanent harmony of all natural, civilisation and cultural values within an area, particularly with respect to the care of environment and the preservation of its elements— soil, water and air.

Planning in its objectives emphasises the principles of complexity in using the land and changing its use, principles of consistence and continuity, and takes into account all social, economical, and cultural

impacts of land development. It also respects the principle of sustainable land development. Since 2003, the planning authorities have been:

- municipalities;
- regions;
- Ministry for Regional Development;
- Ministry of Defence.

Municipality, on the basis of a delegated power, procures the local plan, regulatory plans and non-statutory planning materials. The municipal office with extended authority shall procure upon the request of the municipality the local plan, regulatory plan and non-statutory planning materials.

#### Regional office

- performs the role of a superior body to the municipal authority;
- procures the regional plans;
- procures the non-statutory planning materials that are necessary for its activity.

#### Ministry for Regional Development

- procures the non-statutory planning materials that are necessary for its activity; procures the area technical materials for the entire territory of the Czech Republic that regularly check the land disposition state and aims;
- works as a superior planning authority to the capital of Prague and to the administrative regions.

The Czech Republic is the country with a good tradition within planning. The basic planning law, Construction Code, was introduced in 1976. The act has been amended and modified for several times since its creation. Though it was created in the era of communist regime, its conception was of relatively modern shape. Nevertheless, the recent development of the Czech Republic and the acceptance of democracy and market economy have changed the planning conditions. That is why the Ministry for Regional Development decided to create completely new Construction Code.

According to the basic principles the new act will:

- ensure the sustainable development;
- set up clear rules for permitting changes in land utilisation;
- ease possible changes in cases where approved planning documentation exists for the given territory;
- tighten up planning permission proceedings and building permit proceedings in territories where no planning documentation exists;
- create a harmonised set of tools within the competencies of the government, regions, and municipalities;
- establish a co-ordinated territorial information system guaranteed by the state;
- adjust all land decision procedures to be public;
- make all information accessible to the public;
- ease planning permission proceedings;
- adjust the co-operation of state administration offices concerned in the field of town & country planning as well as the settlement of disputes among them;
- encourage joint-financing of public infrastructure;
- define possibilities of ownership changes focusing on an effective utilisation of the area dedicated for development;
- limit as much as possible any development outside the municipal developed areas or the areas with development potential.

The state Programme for Renewal of Rural Areas focuses on the development of the economies of municipalities, construction renewal, construction of civic and technical infrastructure and also care for the landscape. The programme stresses the necessity of preparing a suitable strategy (preparation of territorial plans of urban studies and local renewal programmes), which must precede the actual implementation of the local programmes.

D. Promoting the Integrated Provision of Environmental Infrastructure: water, sanitation, drainage and solid waste management: See under “Freshwater Country Profile” and “Sanitation Country Profile”.

E. Promoting Sustainable Energy and Transport Systems in Human Settlements: No information available.

F. Promoting Human Settlement Planning and Management in Disaster-Prone Areas: No applicable to the Czech Republic.

G. Promoting Sustainable Construction Activities: At present, there are a number of initiatives, which target various aspects of sustainable housing and housing construction at the national as well as municipal level. The quality of construction materials is subject to a Government decree, which stipulates technical requirements for selected construction products. Due to the limited availability of funds, there is no independent programme, which would provide progressive financial incentives for projects, which attain use renewable sources of energy. Nonetheless, the Ministry for Regional Development cooperates with the Ministry of Industry and Trade and the Ministry of the Environment in an effort to create conditions in existing and upcoming programmes that ensure that desirable energy savings are attained—this applies to construction of new housing as well as repair, reconstruction, and renovation of existing housing stock, especially buildings constructed with the prefabricated-panel technology.

All new programmes are in compliance with a new regulation, which defines in detail the efficiency of energy and heat consumption in buildings. The Ministry for Regional Development is represented in the steering committee of the project “Low-Energy Low-Cost Residential Buildings” which—using funds disbursed under the UNDP programme—is preparing construction of a residential building where the projected energy savings have been assessed and authorized by an international audit. Considerable real savings of heating costs paid by households will be a sufficiently motivating factor which will have a positive effect on preparation of new projects executed within the framework of programmes supporting construction of rental housing.

As far as construction of new housing is concerned, regulations dealing with risks relating to the presence of underground radon were adopted in 1991. Applications for a building permit must be accompanied by the results of a radon survey of the locality and include a solution providing adequate protection against radon radiation if necessary. If radiation hazardous to health is present, the applicable land cannot be used for construction purposes. At present, issues pertaining to protection of health are dealt with by the law. The procedure for setting the radon index of a property is outlined in a regulation. As to existing structures, the law allows disbursement of subsidies for liquidation of unresolved radiation problems, and it also requires regional authorities to seek structures affected by higher internal radiation levels from radio nuclei. In addition, regional authorities disburse subsidies aimed at implementing corrective measures in such buildings.

The Ministry of Health monitors the quality of drinking water in public water mains and connecting pipes. In the upcoming years, hygienic authorities will conduct a survey of lead content in water, especially in areas where lead pipes are used for water distribution in buildings. To ensure compliance with the limits pertaining to lead content in drinking water, it will be necessary to remove water piping in structures which were mostly built before 1945 and have not undergone reconstruction. The Ministry for

Regional Development is preparing a programme which will provide support for removing lead water pipes from residential buildings. Execution of the programme is expected to start in 2004.

H. Promoting Human Resource Development and Capacity-Building for Human Settlement Development: See under “Capacity-Building, Education, Training and Awareness-Raising”.

**Status:** The ten million Czech inhabitants live in more than 6,200 settlements, but almost five thousands of these municipalities have less than one thousand people living there. Although the sweeping majority of municipalities are rather small rural villages, most inhabitants live in towns.

Number of inhabitants	Number of municipalities
More than one million	1
100,000-1,000,000	4
50,000-100,000	17
10,000-50,000	109
1,000-10,000	1,151
Less than 1,000	4,972
	<b>6,254</b>

(Source: Czech Statistical Office, 2003)

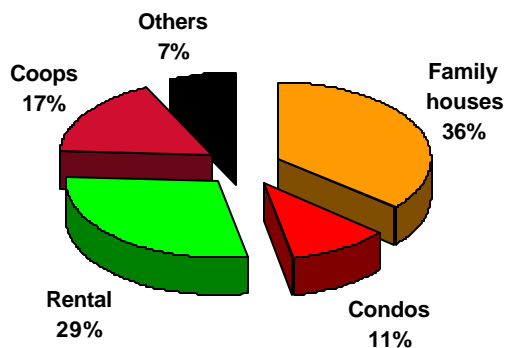
According to the 1 March 2001 census, there were a total of 4,366,293 dwellings, i.e. an average of 427 units per 1,000 inhabitants. There were 374 permanently occupied dwellings per 1,000 inhabitants (3,827,678 permanently inhabited dwellings, i.e. dwellings where at least one person was registered for permanent residence with local authorities), 43% in family homes, 56% in residential buildings, and 1% in other buildings. From the technical point of view, living in Czech municipalities has, in general, a good level—more than 90% of all dwellings have bathrooms, flush toilets and water from the municipal pipelines; only 0.7% of permanently inhabited dwellings were without running water, 4.1% without hot water, 2.5% without a bathroom, 1.3 with a bathroom outside the dwelling, and 2.8% without a water closet.

<b>TECHNICAL FACILITIES AND THE AVERAGE AREA OF PERMANENTLY INHABITED DWELLINGS BETWEEN 1961 - 2001</b>					
	<b>1961</b>	<b>1970</b>	<b>1980</b>	<b>1991</b>	<b>2001</b>
Technical facilities in % from total number of dwellings					
Networked gas	24.1	35.6	42.9	50.0	64.1
Water main in a dwelling	56.6	81.4	92.4	96.9	98.5
Bathroom, shower bath	41.2	59.6	80.5	92.1	95.5
Own flush toilet	45.5	56.4	78.1	91.5	95.4
Central heating, single-storey system	8.9	31.9	58.4	77.6	81.7
Average area of dwellings in m <sup>2</sup>					
Average area per 1 dwelling	35.3	39.1	42.7	45.9	49.3
Average area per 1 persone	10.5	12.3	14.5	16.6	18.7
Average number of living rooms over 8 m <sup>2</sup> falling per 1 dwelling	1.80	2.10	2.41	2.66	2.71

(Source: Czech Statistical Office, 2001)

On average, there is no housing deficit. Attractive locations, particularly Prague, do, however, suffer from a shortage of affordable dwellings. The vast majority of dwellings have central heating, bathrooms and flush toilets. In the Czech Republic, 47% of all dwellings are privately owned, 17% are managed by housing cooperatives and 29% are rented. There are, however, some serious problems in the housing sector, such as the inaffordability of housing for those without a home (especially young families), the uneven territorial distribution of dwellings as regards job availability, and the overall poor condition of the flats. The continuing price and legal distortions, especially in rents, and the insufficient development of affordable housing is a barrier to the creation of a functioning housing market. In nearly 90% of flats in the rental housing sector rents are below the maximum level, which itself is distorted.

*Tenure structure:*



(Source: Czech Statistical Office, census 2001)

The sector of privately owned housing accounts for approximately 47% of housing stock. Home ownership is developing in a more dynamic manner than other sectors. Development of home ownership is supported by the state and includes construction of new housing, transfers of cooperative housing to private owners, and privatization of municipal housing by sale to existing tenants. Taking into account the income of most households, acquisition of a privately owned dwelling is very costly; however, due to the unresolved situation in the rental sector, even individuals with average and lower income are being forced to use this option. The objective of the government's support for home ownership is to improve its affordability.

The existing cooperative sector, which mostly consists of buildings owned by former housing construction cooperatives, accounts for some 17% of housing stock and in the vast majority of cases functions with no considerable problems. Taking into account the legal ramifications of transferring membership right and duties, membership in a housing cooperative is very similar to home ownership. At present, construction of cooperative housing is very low. Nonetheless, the government is preparing a new law based on which construction of cooperative housing will be stimulated through subsidies and low-interest state loans.

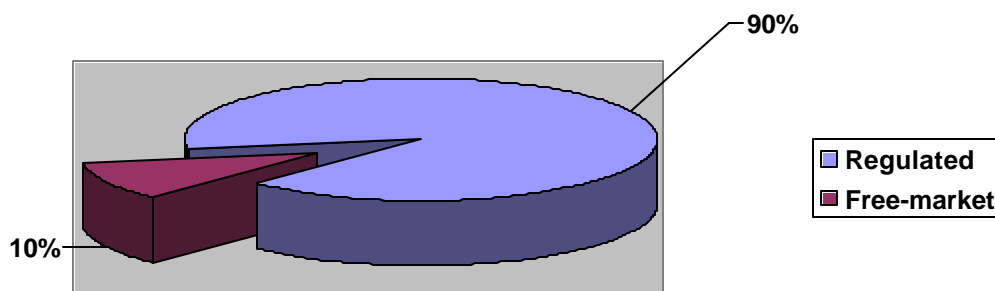
The sector, which consists of privately owned rental housing accounts for only about 12% of housing stock. Its functioning is negatively affected by rent control measures and Civil-Code provisions pertaining to lease of dwellings. Save for exceptions, no construction is taking place in this sector, mostly because tenants enjoy strong legal protection and potential developers see greater opportunities in building privately owned dwellings where the return on invested funds is much faster. The functioning of this model will depend mainly on the selected rental policies.

The sector of municipal rental housing accounts for some 17% of the housing market. Like in the preceding case, its functioning is also negatively affected by rent control measures and Civil-Code provisions pertaining to lease of dwellings. The role of this sector is unclear; depending on the strategy of individual municipalities and their rental policies, municipal housing is used for both social and entirely commercial purposes. Future development of this sector will depend on the selected rental policy and the success of creating a non-profit rental sector.

The overall situation in the rental sector which comprises 29% of all dwellings has been very unsatisfactory in the long term due to some lingering practices formerly established by the communist regime where the right to use existing rental dwellings was established based on an administrative act under which users were assigned a dwelling as opposed to a voluntary agreement of contracting parties. The aim of the deregulation process applied since the beginning of 1990s—having chiefly the form of unilateral increases of rent—has been attaining a balanced rental levels on local housing markets, i.e. a situation where rent reflects the supply of and demand for housing. This goal, however, has not been reached, especially due to the slow pace of deregulation. The outcome of this development is a socially unjustified division of the rental sector into two parts—older dwellings with regulated rent and new or vacated dwellings with contractual rent which can be as much as several times higher (especially in attractive localities) than rent regulated by the state. These two rent levels mean that access to housing is unequal, contributing—combined with a lacking definition of lease of a dwelling in the Civil Code—to the proliferation of a black market activity in this area. With the exception of a very narrow “free-market” rental segment, rents in these flats were (and de facto still are) regulated by the state. This, together with the very strong protection of tenants, obstructs creation of a functioning housing market, hinders mobility of labour and creates breeding ground for black market and corruption.

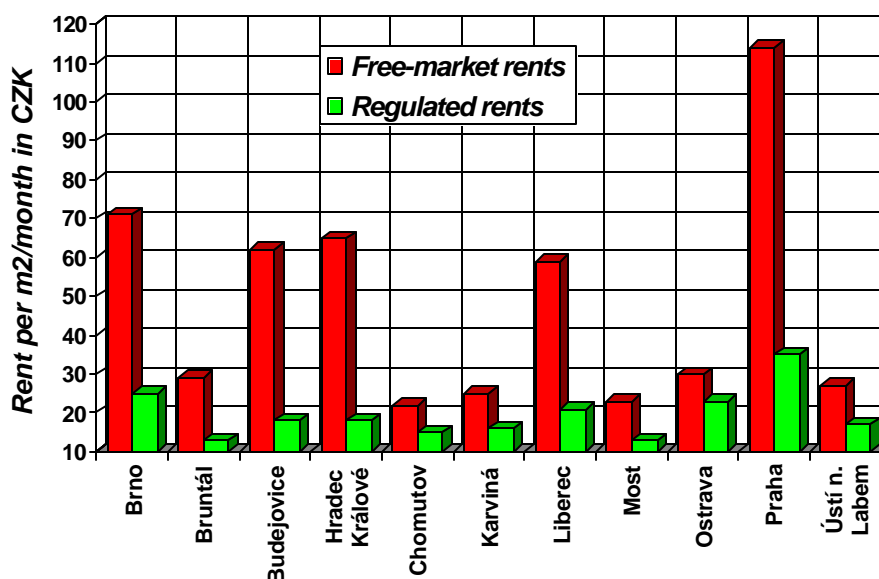
The Present situation on the housing rental market is characteristic by two different levels of rents, one regulated by the “price ceiling” and the other freely negotiated. The result is housing “shortage” with “regulated” dwellings, which is, on the deformed housing market, considered as housing shortage in general. The two levels of rent create unequal availability to housing, which falls especially upon those groups of persons that need housing, whether for family, work or social reasons but do not have high incomes or any real estate. This inequality was “attacked” by a complaint by the Public Protector of Rights—ombudsman. The Czech Public Rights’ Protector—an ombudsman—has asked the Constitutional Court to abate the current legal form of rent regulation—for the reason of inequality in housing access. The rent “price ceiling” has been applied for all “old” tenant, regardless of their social status – i.e. whether they are in social need or not. And at the same time, there is no effective social help to pay “new” market rents, which are applied in “new” contacts for “new” tenants – young families in most cases. His complain was borne out; the Czech Constitutional Court agreed with the submission of the ombudsman and has abolished all regulations issued by the Ministry of Finance, concerning housing rent regulation. At present, a draft of new Act on Housing Rent is being discussed in the Czech Parliament.

*The frequency of regulated and free market rents:*



(Source, Ministry for Regional Development, 2003)

*“Price scissors” in some bigger Czech cities:*



(Source: Ministry for Regional Development, 2003)

An important part of housing expenditures is the cost of energy; for example, for households living in rental accommodation, energy-related expenses account for more than a half of all housing expenditures. In 2003, the proportion of housing expenditures and total net cash household expenditures totalled 18.4% in average households, 25.4% in household of senior citizens, and 23.7% in low-income households with children. Housing expenditures of these households totalled 17.2%, 25.3%, and 24.2%, respectively, of their net income. The proportion of housing expenditures paid by households inhabiting rental dwellings is slightly higher—20.2% for average households, 26.8% for households of senior citizens, and 28.9% for low-income households with children. In like manner, housing expenditures of these households totalled 19.4%, 28.9%, and 30% of their net income, respectively.

**Capacity-Building, Education, Training and Awareness-Raising:** The minimum standards pertaining to housing construction are outlined in laws, namely the Building Code, its implementing regulations, and

various construction and technical standards. Regulation in this area has a long tradition in the Czech Republic. Legal standards are formulated in a way to allow technical development and ensure safety and construction quality in an adequate manner. Housing construction must meet clear technical requirements, and materials employed in construction are subject to certification. Housing construction may be carried out by authorized entities only, a fact that guarantees quality of architectural design and construction work. Companies demonstrate the quality of completed work by implementing quality control systems in accordance with the applicable state standard. The law includes regulations outlining requirements for structures pertaining to their use by persons suffering from a movement or orientation disorder. At present, a draft of the Building Code is being prepared which will incorporate the latest initiatives in this area. In addition, a new version of the Czech state standard "Residential Buildings" is being drafted.

At present, there are a number of initiatives, which target various aspects of sustainable housing and housing construction at the national level. Due to the limited availability of funds, there is no independent program, which would provide progressive financial incentives for projects which attain outstanding energy savings or use renewable sources of energy. Nonetheless, the Ministry for Regional Development cooperates with the Ministry of Industry and Trade and the Ministry of Environment in an effort to create conditions in existing and upcoming programs that ensure that desirable savings are attained—this applies to construction of new housing as well as repair, reconstruction, and renovation of existing housing stock, especially buildings constructed with the prefabricated-panel technology.

**Information:** All kind of information as well as statistical data concerning housing are available at the webpage of the Ministry for Regional Development – [www.mmr.cz](http://www.mmr.cz). Special informative co called “consulting days” are organized every month in the hall of the ministry; they are free and open to all municipalities, housing maintenance managers, cooperatives, landlords, tenants as well as public.

**Research and Technologies:** The Ministry for Regional Development monitors permanently the housing market development. Special market rents research is carried out in more than 300 municipalities in order to gain a relevant data concerning local housing rental markets. In 2003, the Ministry worked out a combined quantitative together with qualitative research on housing rental sector in almost 300 municipalities. For comparable data concerning the current situation in various municipalities and approaches of local authorities to the rent reform it used the quantitative research targeted to evaluation of the set of questions about these issues. In order to gain primary data concerning all the important stakeholders in the rental housing reform, the ministry used the qualitative research consisted in several in-depth interviews with the most significant stakeholders. The qualitative research consisted in profound open interviews with representatives of the Union of Tenants, Landlord Association, Union of Housing Cooperatives, Housing Managers Association, Association of Real Estate Agencies, Mortgage Banks Association, Association of Construction Savings Banks, Association for Real Estate Market Development, Czech Society for Housing Development, Union of Towns and Cities and Association of Regions.

**Financing:** More than 1% of GDP is paid annually from the state budget and the budget of the State Housing Development Fund to support housing. Combined with indirect subsidies, i.e. tax deductions and exemptions, state support translates to some 1.5% of the GDP. But the current housing policy is affected by an underway reform of public finances and the resulting pressures to reduce mandatory expenditures. Housing expenditures will be delimited by a mid-term framework of expenses. This measure will result in the consolidation of the ensemble of support instrument and elimination of fluctuations due to the setting of budget expenditures on a year-to-year basis. Disbursement of public funds will include regular assessment of the effectiveness, efficiency, and economic feasibility of individual expense programmes.

Construction of new housing takes place mainly in the sector of privately-owned dwellings, that is privately-owned family homes and condominiums in apartment buildings. The volume of construction of

rental housing is relatively low; this form of housing is developed only by municipalities which construct rental housing with the state's support consisting of direct investment subsidies. There is almost no construction of cooperative housing. Revitalization of this sector is expected after the introduction of measures consisting of subsidies targeting construction of cooperative housing, which are currently being prepared.

Construction of privately-owned housing mostly relies on mortgage financing, construction savings plans, and loans. The volume of construction activity differs from region to region. The highest amount of new dwellings is built in Prague, its vicinity, and areas characterized by an abundance of employment opportunities, high incomes, etc. Specific figures are shown in enclosed tables. In dynamically developing regions (Prague and some other cities), construction of new housing is fully comparable to the extent of construction activity in western countries. As the purchasing power of the population increases, so does the price of new housing.

Measures of support can be divided into two basic groups according to the financing method. The first group relies on special-purpose investment subsidies for construction of rental housing by municipalities and buildings where social services are provided; this form of support is not directly tied to financing from other sources. The second group includes support in the form of interest subsidies, loans, and repayable contributions, and it is directly related to loan financing. The second group also includes construction savings plans in cases where people use a construction savings loan or combine the use of construction savings with another type of loan.

In 2002, construction of 27,291 dwellings was completed, including 11,716 dwellings in family homes and 6,393 in apartment buildings, i.e. 10.2% more than in 2001 (9.6% and 8.1% more, respectively). There was a slight year-to-year decline in the number of dwellings created by vertical or horizontal additions and conversions—the number of these dwellings was 4,694. Further, modernization of 13,599 dwellings was completed. During the first to third quarters of 2003, construction of 16,853 dwellings was completed, i.e. 97% of the number of dwellings completed in the first three quarters of 2002.

In 2002, construction of 33,606 dwelling began, including 13,659 dwellings in family homes and 10,246 in apartment buildings, i.e. 16.0% more than in 2001 (5.9% and 63.3% more, respectively). Further, modernization of 16,050 dwellings started.

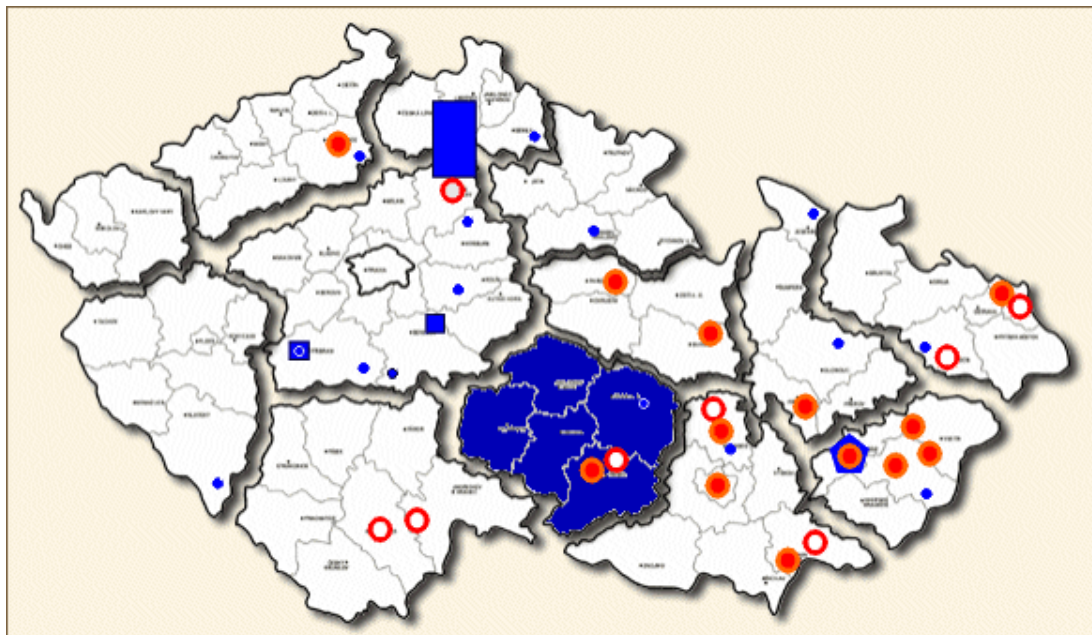
During the first to third quarters of 2003, construction of 27,199 dwellings began, a 9.7% increase from the same period of the preceding year. The highest number of dwellings where construction started are family homes (13,089, 25.3% more), and an increase of a similar scope occurred in respect of projects involving addition, enlargement, and conversion of apartment buildings started during that year.

Thanks to competition pressures from mortgage banks and low interest rates, mortgages are becoming a commonplace method of financing construction of family homes and condominiums. As to the value of monthly mortgage instalments paid by households and the overall volume of repaid funds, the most important factor are long-term interest rates on mortgages. Even though the base commercial interest rates have been declining steadily in the past two years, the number of households able to obtain a mortgage is limited, chiefly due to the high cost of new housing. In this regard, debtor registries are becoming increasingly important; they register debtors and their credit habits, including payment of telephone bills, utility bills, etc.

**Cooperation:** The Ministry for Regional Development, which is responsible for housing policy, cooperates permanently with all stakeholders in this field, including relevant NGOs—banks, real estate agencies, municipalities, housing cooperatives as well as representatives of tenants and private landlords.

Every year, the Ministry subsidizes the activities of some NGOs through its annual budget and participates in seminars, workshops and conferences organized by these NGOs.

In the Czech Republic, there are some programmes and projects such as National Network of Healthy Cities of the Czech Republic (HCCR); the national association of active cities that are implementing the WHO Healthy Cities Project, an international initiative under the auspice of the WHO. Associated members of HCCZ stipulated in their statutes to consistently work towards sustainable development, health, and the quality of living in cities, municipalities and regions of the Czech Republic. The HCCR cooperates on various projects related to active ageing, injury prevention and healthy nutrition, including: Contact club for “youth from the street”; Dream of the Playground the Dreamland; Energy control and saving measures at schools; Catalogue of Leisure Activities; Path of Health; Programme for long-term unemployed clients of the social curators.



HCCR members - regular (orange); associated (blue)

One of the ways to measure the overall efficiency of HCCZ activities in the implementation of the Healthy Cities Project in the Czech Republic are the changes in the systematic activity of the cities and the introduction of system elements according to HCCZ methodology and the applicable international standards in the cities, towns and regions. HCCZ members are divided into several categories depending on the progress they have made in the implementation of the methodology.

The tool to implement the Healthy Cities Project and local Agendas 21 (LA21) in the Czech Healthy Cities, Municipalities and Regions is the HCCZ methodology. HCCZ helps implement the procedure according to the methodology directly in the individual member cities, municipalities and regions through facilitating team work, consultations, etc. HCCZ arranges for training to educate and equip the HCP & LA21 Coordinators and other persons involved for an effective implementation of the Healthy Cities Project and local Agendas. Upon request of its members, HCCZ facilitates meetings of preparatory and evaluation teams during the drafting/upgrading of the City Health Development Plans (upgrades and public discussions, or HC Forums). The media agency Spiralix has been organising media campaigns for HCCZ since 2002. On the basis of information from the individual members (as provided by the HCP & LA21 Coordinators), HCCZ has been publishing its monthly Newsletter. The Newsletter is distributed to all major nationwide media with which Spiralix has established co-operation. HCCZ's media campaign is

becoming increasingly successful, now including specialised magazines, printed materials as well as radio and TV shows for the general public. Through e-conferences on HCCZ's server, the Newsletter reaches hundreds of participants in the discussion groups. The Newsletter is officially delivered to WHO LO Prague and the Czech Ministry of Health. HCCZ member cities mostly use the Newsletter in the PR within the local authority and with respect to the HCP partner organizations.

E-conferences facilitate efficient communication among HCCZ and individual member cities. For internal communication, there is an e-conference of HCP & LA21 Coordinators.

In addition, the server offers 11 public e-conferences (in Czech language only) on various specialised topics. The most frequently visited are the e-conferences on health, local Agenda 21 and the environment, with 150 to 200 people from all over the Czech Republic taking part in each of these conferences.

In Czech Republic, the Association for the restoration and development of rural area is also active. The British Know How Fund supports the project of the Czech Environmental Institute "Broader Support of Local Agenda 21 Processes in the Czech Republic". There are some other programmes supporting sustainable development of human settlements specialised on particular issue such as community involvement, recovery of a local cultural heritage and customs, waste management, water management, landscape, etc.

\* \* \*