

## THE PARADOX OF SLOVENIAN HOUSING STOCK – LACKING A PROPER MANAGEMENT?

Špelca Mežnar

International School for Social and Business Studies, Slovenia  
spelca.meznar@mfdps.si

Tamara Petrović

International School for Social and Business Studies, Slovenia  
tamara.petrovic@mfdps.si

### **Abstract:**

Even though there are around 175,000 vacant dwellings in Slovenia, the need for housing (and especially affordable housing) is increasing. This is a result of many different circumstances: the process of privatization in the beginning of 90's, overly ambitious goals set by the 2000-2009 National Housing Programme, retrieval of the Government from the housing policy, lack of finance of the Housing Fund of Slovenia, inefficiently directed funds, current economic crisis. Unfortunately, the improper management of the housing stock and inadequate housing situation of many households in Slovenia have become one of the crucial social problems. The purpose of the article is to offer an insight into the course of events following the independence of Slovenia to the present day concerning the housing sector, with a special emphasis on the management of the National Housing Fund.

*Keywords: housing stock, the Housing Fund of Slovenia, management*

## 1. INTRODUCTION

Historical background of a country is in many cases as (if not even more) important as its contemporary situation. This statement can be illustrated on the example of Slovenian housing sector. Being part of the former Socialist Federative Republic of Yugoslavia (hereinafter: the SFRY), Slovenia has been haunted by the Yugoslavian legacy concerning housing policy ever since the independence in 1991.

The housing construction in the SFRY was extensive. For many years, the SFRY was a country with the largest proportion of its BDP invested in housing construction in Europe. However, the beginning of 80's of the previous century brought many economical constraints, which caused the housing construction to decline for the first time after almost thirty years of prosperity. (Nelson, 2005, p. 106). After the independence of Slovenia, the Government introduced some core changes to the housing sector, setting foundations for the present state of affairs.

The most influential change was performed through the process of privatization of public housing stock. This process resulted in the increased number of homeowners, while at the same time public housing stock was diminished to a very minimum. The beginning of the new century was marked with the enactment of the 2000-2009 National Housing Programme (hereinafter: the NHP). This Programme strived to revive the housing sector once again, setting some high-achieving goals for housing construction. However, the goals were realized only to a certain extent, depending on the type of dwellings.

Observing the current state of affairs, several issues come forward. Number of applicants for non-profit rentals is increasing more and more with every public notice, but only a small percent of them is actually awarded an apartment. On the other hand, the number of applicants on public notices for market rentals is smaller than available apartments. At the same time, there are around 175.000<sup>1</sup> of empty apartments on the market and the real estate prices are decreasing for several years. This is a paradox situation: although there are enough available units, the demand is not satisfied.

The purpose of the article is to offer an insight into the history of Slovenian housing stock and the current need for housing (and especially affordable housing). The main contention is that efficient management of the housing stock can significantly reduce the schism between the housing need in the country and the size of the available housing stock.

The structure of the article is the following. In the first chapter we will offer historical background of Slovenian housing sector. The second chapter will present the responsibilities of the Housing Fund of the Republic of Slovenia (hereinafter: the HFRS) and its role in managing housing stock. Chapter three will outline the actual situation on the housing market and indicate some most topical issues today. The summary will be given in the final chapter, alongside some the recommendations for the future.

## 2. HISTORICAL OVERVIEW

### 2.1. Socialism

After the World War II, the former Yugoslavia was faced with numbers of displaced and homeless individuals on its territory. In addition, a massive urbanization took place, which further aggravated housing situation in the Federation. The Government managed the newly emerged situation by assuming the exclusive power over housing sector. Apart from allocating housing units to individuals in need (even the privately owned units), the Federation passed numerous statutes and decrees, transforming a large proportion of private residential units into public ownership. (Nelson, 2005, p. 20) During the 1950's, the Federation introduced new models of management of housing construction, maintenance of the stock and distribution of housing units. One of the most important novelties was certainly the introduction of obligatory contributions from employees' salaries for the special fund for housing construction. Such measure led to the increased financial support for investments into housing. (Nelson, 2005, p. 21)

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<sup>1</sup> This number is a mere estimation. More on this in the section 4 below.

After the initial scarcity of dwellings was overcome, the Federation turned to legally framing right to tenancy. The Decree on Administration of Residential Units<sup>2</sup> was passed as a legal base of 'right to an apartment'. Holders of this right were entitled to a permanent use of allocated housing unit. Relationship with the owner was based on a contract, which determined mutual rights and obligations. The holder of the right was obliged to pay the rent set by the municipal housing organ. This type of tenure was rather secure, since the reasons for termination were regulated with the Decree, while the holder was free to terminate the contract with a month notice. Afterwards, the Housing Relations Act<sup>3</sup> renamed the right to an apartment to 'housing right' and broadened its contents. The right was thereafter inheritable and available to broader circle of citizens.<sup>4</sup> (Nelson, 2005, p. 20-21)

The trend of intense housing construction was continued in the 1960s. At the beginning of the 1970s, the Constitution of the SFRY was amended, assigning more legislative power to the republics. Since then, the housing sector was the matter of the political will in each of the republics.

Another novelty was the introduction of solidarity apartments for the citizens who were financially unable to arrange their housing situation themselves. The allocation of such apartments was in the hands of centres for social work, which determined the eligibility of candidates. It is interesting to mention that the SR Slovenia was the sole Yugoslav republic to explicitly mention the awarding of these apartments in its Housing Economy Act<sup>5</sup>. (Nelson, 2005, p. 23)

The beginning of the 1980s faced the SFRY with economic crisis, which affected the housing construction as well. The crisis mostly reflected on the construction of public housing, while the private construction remained almost at the same level. (Gorenčič, 2005, p. 13)

## 2.2. Independence and privatization

The dissolution of the SFRY introduced not only political, but also major social changes, especially for the housing sector. Some new legislation was enacted, aiming to digress from the socialist notion of managing housing matters of citizens. The first and foremost change was introduced with the new Constitution<sup>6</sup> in Article 78. This Article provides: "The state shall create opportunities for citizens to obtain proper housing." The new order assumes that the responsibility of the state is only to provide for such circumstances, so that individuals are able to find an appropriate home themselves. (Šturm, 2002, pp. 761-763) Accordingly, the system of obligatory contributions from the employees' salaries was abolished. This measure meant that the construction companies were left without the financial means for the further construction of public housing. (Cirman, 2006, p. 114)

The other important change was presented with the new Housing Act<sup>7</sup> in October of 1991. The importance of this statute predominately lies in setting the legal base for the process of privatization of the public housing stock.

At the start of this process, the ratio of private to public apartments was cca. 67%:33%. Afterwards, the ratio shifted and was 88%:12%, meaning that the public housing stock drastically increased. (Šinkovec&Tratar, 2003, p. 33) The reason for this was mostly the fact that the redemption price of publicly owned apartments was usually 10 to 20 percent lower than the market price. The right to buy was given to former holders of housing right, who were using apartments from the public housing stock.<sup>8</sup> The buyers were able to pay the redemption price in instalments. Only 10% of the whole price was to be paid within sixty days from the conclusion of the contract, whereas the remaining 90% was to be paid in monthly instalments within twenty years.<sup>9</sup> There were also special discounts for buyers who wished to pay the remaining price in advance.<sup>10</sup> In addition, the inflation at the time furthermore reduced the value of instalments, resulting in even more affordable bargains. Therefore, majority of

<sup>2</sup> Official Gazette FPRY, no. 52/1953 and 29/1954.

<sup>3</sup> Official Gazette FPRY, no. 16/1959.

<sup>4</sup> For example, to women.

<sup>5</sup> Official Gazette SRS, no. 3/1981.

<sup>6</sup> Official Gazette RS, no. 33/1991.

<sup>7</sup> Official Gazette RS, no. 18/1991.

<sup>8</sup> This right was not given to the holders of housing right on privately owned apartments (those, which were later resituated to the denationalization claimants), which led to some constitutional constraints.

<sup>9</sup> Article 117 of the 1991 Housing Act.

<sup>10</sup> Article 120 of the 1991 Housing Act.

rightful claimants opted to buy the apartments, leading to the present structure of home-owners in Slovenia.

The 1991 Housing Act set a legal frame for the work of the HFRS, which was established in the same year. Its responsibilities included execution and financing of national housing programme, as well as promotion of housing construction and maintenance of the housing stock through long-term loaning.<sup>11</sup> Financial means for the HFRS were to be provided from the profit earned through the privatization process, in addition to some budgetary means. (Stanovnik, 1995, p. 94)

During the first decade of its existence, the HFRS was mainly focused on the favourable loans for citizens and non-profit organizations, since the enactment of the first National Housing Programme (hereinafter: the NHP) was delayed. In 1992 the HFRS announced several tenders, offering long-term loans. One of the tenders for instance was intended for the reconstruction of housing objects to meet the needs of disabled individuals. The tenders continued to be announced every year. However, most of them promoted home-ownership, while the construction of non-profit units was neglected. (HFRS, 2013)

As a result, the rental sector remained under-regulated and neglected. Apart from employment based and some market rentals<sup>12</sup>, there were not many rental relations. But then again, this ought to be understood in the light of the at time situation: majority of households already owned their own home (purchased through privatization or constructed during the socialism); therefore, the need for rentals was not so pervasive.

On the downside, apart from the increased number of home-owners and owner-occupied dwellings, the public housing stock (and especially the part intended for renting to less financially able citizens) deteriorated, both in number and in quality.

### **2.3. Last decade**

Such state continued throughout the first decade of the twenty-first century. There was one problem, though: many privatized apartments became too small for the households. Therefore, the demand for housing rose. The Government took some measures. However, the majority of measures were oriented towards enabling favourable conditions for the citizens to obtain their own dwelling. These measures included long-term saving schemes for housing purposes, different subsidies (for young families and employees affected by the economic crisis) and lower tax rates for newly constructed dwellings. As appealing as the idea of each family household owning its own home may sounds, such housing policy has constrains, too.

Only a small proportion of measures were directed towards the rental sector in the country. For instance, amendment of the 1991 Housing Act in 2000<sup>13</sup> introduced subsidies for non-profit rentals. These were available for households, which were awarded a non-profit apartment and were not exceeding an income threshold, in order to ease their financial situation. (NSP, 2012, pp. 7-8)

In 2003 a new Housing Act was enacted, reorganizing the categories of rental tenures. Instead of the previous market, employment based, non-profit and social rentals, the new statute introduced: market, employment based, non-profit and purpose rental apartments. The former non-profit and social categories were now merged into one category.

In addition, the system of subsidies for non-profit rentals was somewhat changed. The new income threshold was set on the level of the threshold for obtaining social assistance, increased for 30%. The value of the subsidy ranges from 0.1 to 80% of the rent, but is awarded only with respect to the appropriate area of the apartment for that household. Similar subsidy (with equal conditions and thresholds for awarding) was later made available also for the tenants in market rentals through the 2008 amendment of the 2003 Housing Act<sup>14</sup>. (NSP, 2012, p. 8)

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<sup>11</sup> Article 79 of the 1991 Housing Act.

<sup>12</sup> On average, in the period 1997-2001, there were 2.1% of households in market rentals. (Cirman, 2006d: 115)

<sup>13</sup> Official Gazette RS, no. 1/2000.

<sup>14</sup> Official Gazette RS, no. 57/2008.

Observing the last decade, one could be tempted to conclude that a lot was achieved in the rental sector. However, all of these measures had little to no genuine value. The subsidies indeed lowered the housing costs and thus helped many households, but the problem of shortage of rental (and especially non-profit) units is still present.

Another problem has also stricken housing sector during this decade: the economic crisis. Due to the numerous factors (higher demand, increase in the prices of communal fees, speculations of investors) at the beginning of the decade, the housing prices were also on the rise, especially in the Central and Coastal regions. (Gorenčič, 2005, p. 25; Pavlin, 2011: pp. 11-12) The trend of rising was observed until 2008, when the economic crisis took its toll and prices began to decline. (Pavlin, 2011, p. 9)

### 3. TASKS OF THE HFRS

#### 3.1. The NHP 2000-2009

The execution of the NHP was put into the hands of the HFRS with the enactment of the 1991 Housing Act. The first NHP was prepared as early as in 1995, but was not passed by the legislator until 2000<sup>15</sup>. The NHP referred to the period 2000-2009. During the first discussion in the Parliament on the draft version of the NHP, many considered it to be "too socially oriented". (Sendi, 1995, p. 109) They especially referred to the introduction of the NHP and the notion that:

"Only a small proportion of citizens is capable of settling their housing situation on their own, with the purchase or renting of an appropriate dwelling in the market conditions. For the majority of citizens, the access to the appropriate home is possible only with the active role of the state and municipalities by enabling non-profit housing sector, providing social apartments and favourable loans for the purchases or construction of own dwellings."<sup>16</sup>

In line with this, the NHP anticipated a construction of at least 10,000 new housing units annually by the year 2009, with an emphasis on the non-profit units. Until then, the annual construction should have been comprised of around 20% of social rental units, 25% of non-profit rental units, 50% of units constructed by individuals and 5% of profit units of the entire construction.

Apparently, these numbers were too optimistic. The actual dynamics of construction was much lower. Albeit the number of constructed units was higher than the anticipated in the first three years of the execution of the NHP 2000-2009<sup>17</sup>, in later years the construction took the opposite trend, especially as far as the non-profit sector was concerned. Even though the overall percentage of the constructed units was around 85-90% of the construction predicted with the NHP 2000-2009, the rate of construction of the non-profit units was never more than 50%. The highest number of constructed units was achieved in the year 2000 (675 units of the predicted 650). However, since the year 2001, when there was 52% of the construction achieved, the construction declined and amounted to 20 and less percent. (HFRS, 2012, pp. 5-6)

In 2008 the Court of Auditors issued the Audit Report of the work of the HFRS regarding the execution of the NHP in the period 2000-2007.<sup>18</sup> The Court of Auditors reached a conclusion that the HFRS was operating without some clear-cut and assessable medium-term objectives until 2003. Such objectives were lacking in its annual programmes, too. Additionally, the aims set by the NHP 2000-2009 regarding the non-profit housing were not met, even though the largest scarcity was observed precisely in that sector. It is true that the HFRS was increasing the number of non-profit units through financing the construction, but the municipalities and non-profit housing organizations – with whom the HFRS acted as a co-investor for the construction of non-profit units<sup>19</sup> - decreased it, mostly through sales. Therefore, the overall number of the non-profit units declined. (Court of Auditors, 2008: p. 4) In the period 2000-2007 the number of non-profit units obtained by the HFRS solely was only 887, while the number of units obtained through co-investments with the municipalities was an additional 828.

<sup>15</sup> Official Gazette RS, no. 43/2000.

<sup>16</sup> Translation provided by the authors of the paper.

<sup>17</sup> For instance, the set construction was surpassed by 9%, 2% and 4% respectively in the years 2000, 2001 and 2002.

<sup>18</sup> The number of the Audit Report is 1209-1/2008-3 from 20 June 2008.

<sup>19</sup> Article 154 (2/1) of the 2003 Housing Act.

(Court of Auditors, 2008, p. 29) Therefore, from the 13,950 units predicted with the HFRS to be constructed in the period 2000-2007, only 32% or 4,513 were actually obtained<sup>20</sup>. (Court of Auditors, 2008, p. 26) What is more, not even the goals set with the HFRS's medium-term developmental documents were realized: from 3,651 of non-profit units, which were to be built in the period 2003-2005, only 551 units (or 15.1%) were built (both by the HFRS solely and by co-investments with the municipalities). (Court of Auditors, 2008, pp. 31-32)

The HFRS also took a bearing on the construction and sale of market dwellings, even though the NHP 2000-2009 predicted that the latter would be achieved without the endeavours of the HFRS. During the course of 2000-2007, the HFRS conducted seven tenders and sold 2,164 apartments throughout Slovenia under lower prices than the market. (Cirman, 2007, p. 6) With such conduct the HFRS influenced on lowering the prices of dwellings. However, in economic terms, such conduct was inefficient, since it prevented buyers to maximize their welfare by limiting their choice. (Cirman, 2007, p. 6)

The fact that majority of sold apartments did not settle the housing situation of households in need is additionally concerning. The main problem was that the HFRS did not check whether the applicants already owned an appropriate dwelling and whether they met the income threshold for using public funds. Therefore, the apartments were sold to people, wishing to invest their savings safely. In addition, the resale of the dwellings was not forbidden until 2006. Consequently, this had a negative effect on the prices of dwellings, since the prices did not decrease as much as they potentially could have and the apartments were not bought predominately by those in need. (Court of Auditors, 2008, p. 44)

### 3.2. The NHSS

Another task for the HFRS was the execution of the National Housing Savings Scheme (the NHSS), which was passed by the Government in 1999<sup>21</sup>. This scheme represented a measure for long-term savings of citizens for the purposes of housing. The scheme was available for the saving periods of five or ten years. After each year of the scheme a certain amount (a premium) was added to the entire saved amount. In addition, banks were obliged to offer favourable long-term loans (a double of the saved amount) after the termination of the scheme and a fixed interest rate.

The HFRS announced seven public calls in the period 2000-2007 for the conclusion of the scheme. The scheme was, at the beginning at least, profitable compared to the other saving types available with commercial banks, mostly due to the premium which was available to the savers after the termination of the scheme and the favourable interest rates. Even after the interest rates on the market began falling in 2001, the profitability of the scheme remained the same. In addition, the banks were prevented from charging the commission of concluding loan contracts with the savers from the scheme, which furthermore reduced the costs of such loans compared to the regular housing loans. (Court of Auditors, 2008, pp. 48-49)

Even though a certain number of citizens (predominately well-educated and financially well-off) decided to go with the scheme, its overall success was humble. Only 10% of savers, who terminated the savings period in 2007, decided to take a loan from the banks, while the total amount of loans offered through the NHSS represented only 6% of all housing loans in the period 2004-2007 in Slovenia. (Court of Auditors, 2008: p. 5) After the loaning conditions with commercial banks become more lenient in general, many savers decided to take these loans and not those provided through the scheme. Another important factor was that the amounts available after the termination of the scheme were usually insufficient for purchasing a home. (Sendi, 2012; Court of Auditors, 2008, p. 55)

The humble overall success of the NHSS is also supported by the fact that its attractiveness diminished over the years. In the years 2006 and 2007 the number of new applicants to the scheme fell drastically. In 2006 almost all available capacities were used; in 2007 only 32% of the latter were used. In both years the number of available loaning contracts was smaller compared to the previous years. (Court of Auditors, 2008, p. 47)

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<sup>20</sup> The number refers to all non-profit units obtained in the country, by: the HFRS, non-profit organizations, municipalities and joint investments.

<sup>21</sup> Official Gazette RS, no. 86/2000.

### 3.3. Subventions for young families and market rentals

In 2006 a new type of subsidy was introduced, which was intended for young families who accessed housing through purchase, construction, reconstruction or change of the purpose of existing buildings. The legal base for this subsidy was the amendment of the 2000 NHSS Act.<sup>22</sup> The eligibility of applicants for subsidy was based on the following criteria: Slovenian or EU citizenship, concluded sales contract for a dwelling or the final construction permit (issued after 1 March 2006), status of the young family, number of household members and income threshold. In 2007 another subsidy was added, a subsidy to market rentals. This could be awarded to a young family renting a dwelling under market conditions. The eligibility criteria included a graduation diploma of at least one of the parents, who was not to be older than 28 years (or 30 years, if he was a doctoral graduate). Both subsidies were awarded for eight years and ranged from 160 EUR per family member in the first year to 300 EUR in the following years. In 2011, the subsidy was reduced to 120 EUR per family member.

In light of the recent austerity measures taken by the Government, the latter two subsidies were cancelled under the amendments of the Fiscal Balance Act<sup>23</sup>. This austerity measure is not only to affect the potential future applicants, but also the present rightful claimants, to whom it was awarded in the previous period.

## 4. CURRENT SITUATION

The housing stock in Slovenia was comprised of 844.656 housing units in 2011. The majority of these were to be found in one- or two- apartment buildings (61%), while 36% of housing units were situated in multi-apartment buildings. The average area of apartments was around 80 m<sup>2</sup>. (SURS, 2012)

At present, there are around 175.000 apartments, which are officially uninhabited<sup>24</sup>. Since this number includes the secondary homes (such as holiday cottages and seasonal dwellings<sup>25</sup>), homes which are only officially uninhabited and such units, which are not inhabitable<sup>26</sup>, the actual number is somewhat smaller. (SURS, 2012)

The largest proportion of vacant housing units can be found in the Central region, more precisely in Ljubljana – somewhat more than 22,000. The lowest number of uninhabited units is to be found in Koroška region. Another interesting fact is that little less than 18,000 vacant apartments were built after 2005, out of which almost 4,000 are located in Ljubljana, while 1,235 are located in Maribor. Around a half of these newly built apartments are owned by legal persons (9,500 apartments). (SURS, 2012)

On the other hand, there were 813,531 households (266,489 single-members and 547,042 several-members). (SURS, 2012) Comparing the two data – number of housing units and number of households – it goes without saying that there ought to be not a single household without a housing unit.

However, the data available from the public tenders for non-profit rent apartments indicate that there is a large deficit of non-profit apartments exactly in the municipalities with the highest number of vacant housing units, such as Ljubljana, Maribor and Koper. A mere 10% of applicants on average are allocated with a non-profit apartment. (Hegler, 2011, p. 9) In Ljubljana this number is 12%, even though the Housing Fund of Ljubljana owns the largest stock of non-profit apartments, comprised of 3.306 units. The last tender, published in December 2012, offered 350 apartments (around 230 without participation and 120 with participation)<sup>27</sup>. The number of applicants was as high as 4,023. (HFL, 2013) Similar situation can be observed also in other larger municipalities across Slovenia.

<sup>22</sup> Official Gazette of RS, no. 14/2006.

<sup>23</sup> Official Gazette of RS, no. 40/2012.

<sup>24</sup> This means that these units were registered as being uninhabited in the Central Registry of Population (meaning that no one is registered as having temporal or permanent residence at that address), but are in fact rented in the black market or left to the use of kinship.

<sup>25</sup> The number of these is around 20.000.

<sup>26</sup> Since they lack some form of utility.

<sup>27</sup> Available on: <http://www.jssmol.si/aktualno/razpisi/arhiv-razpisov/>.

In February 2013 the HFRS also announced a tender for 382 market rental apartments. There were 275 applicants, out of whom only 148 enclosed complete documentation. (HFRS, 21.3.2013) The reason for such a small number of applicants probably lays in the rent price, which is considerably higher than the rent for the non-profit apartments. The rent for dwellings, offered by the HFRS, amounts to 350 EUR on average, while the rent for the similar apartment, offered by the Housing Fund of Ljubljana, is around 180 EUR.<sup>28</sup> It is odd that the HFRS is still more inclined towards supplying market housing, even though it follows from his own medium-term document (Business policy for the period 2012-2016) that there is around 8,300 non-profit units needed. In Ljubljana alone, the number of needed non-profit apartments is cca. 3,300. (Business policy for the period 2012-2016, 2012, pp. 28-29)

It must be noted that the execution of the HFRS's responsibilities is primarily tied to its financial possibilities. The lack of financing has indeed been a major constriction in the recent years. For instance, the planned funds from the state budget for the period 2000–2004 were 34,6 billion SIT (cca. 146 million EUR), while the HFRS actually received 2,9 billion SIT (cca. 12 million EUR) or 8.2% of the planned funds. (Sendi, 2007, p. 157) In addition, the state did not increase the capital of the HFRS in years 2009–2011. The HFRS is also limited regarding the access to non-deposit funds and instruments of the EU. (Business policy for the period 2012-2016, 2012, p. 10) Even though the state budget for the years 2011 and 2012 predicted that 12 million EUR is to be given to the HFRS, such capital increase was not executed. (Business policy for the period 2012-2016, 2012, p. 32)

## 5. CONCLUSION

The first and foremost condition for a successful housing policy is a comprehensive strategy, which encompasses the entire territory of a country and includes actors on all levels (municipal, regional, national) into the execution of the set objectives and goals. Above all, the strategy must determine the financial frame for the execution of tasks within the strategy. Without the latter, the success of housing policy is questionable. The example of Slovenia has illustrated that setting some vague, approximate and, most of all, too ambitious goals can backfire and deteriorate the situation.

Although it would be fairly simple to lay the blame entirely onto the HFRS and its inefficient management of the housing stock for the present situation, such contention would be too harsh and unfair. Some of the blame must also be borne by the state and the fact that Slovenia is without a comprehensive housing policy for quite some time (ever since the NHP 2000-2009 is no longer valid). In addition, the HFRS could not influence on the higher prices of construction lots, level of non-profit rent (which could offer additional funds for the maintenance of existing stock), funds received from the state budget, etc. The competent Ministry<sup>29</sup> also failed to execute its tasks (such as determining objectives and their monitoring, monitoring the measures regarding housing policy and especially non-profit sector, providing for enough funds for execution of the set objectives, reporting on the current issues, etc.). (Court of Auditors, 2008, p. 5)

One of the main problems was that former housing policy was too broad. It included a wide range of, unfortunately, futile measures, instead of focusing on the genuine needs of the citizens. The same could be said for the HFRS. There were certain steps made towards meeting the housing needs of people (for instance, the NHSS and different subsidies). However, these were mostly directed towards the demand side, instead of allocating a part of the funds to the supply side as well, providing a more affordable housing.

Considering the number of vacant dwellings, idea of the Government buying these and renting them under non-profit conditions seems appealing. It would certainly mean killing two birds with one stone. On one hand, it would prevent these dwellings from ruining, and on the other, it could offer an affordable solution for many households in need. However, since this measure demands the consumption of public (taxpayers') money, the entire process must be conducted transparently. In addition, it must be conducted in such manner so as to maximize the welfare of citizens (by

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<sup>28</sup> Data were obtained from announcements of the public tenders (for non-profit rentals) and official web pages (for market rentals).

<sup>29</sup> The competent Ministry at the time of the Report of the Court of Auditors was the Ministry of Environment and Spatial Planning. The latter was abolished. At the moment, the competent Ministry for the housing policy is the Ministry of Infrastructure and Spatial Planning.



purchasing the apartments in the regions where the need for affordable housing is widespread) and not as a solution to bad investment decisions of banks. (Cirman in Marn, 2010, p. 60)

The view that the NHP 2000-2009 was too social seems to have prevailed. Over the years, the Government restrained from the housing policy more and more, leaving the competent authorities with little funds. And while this was not too problematic in the years of prosperity, the recent developments in economy demand that the state once again assumes the main role and “create opportunities for citizens to obtain proper housing”. In order to do so, the Government must primarily strive to enact a comprehensive housing programme, which would set some short, medium and long term goals. It should also organize all of the relevant actors in the country in order to provide for a proper management of the housing stock.

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