

Institutional Limits of Housing Subsidies in the Czech Republic: A Regional Development Perspective

Vojtěch Vaněček¹, Denisa Bláhová²

Abstract: The study analyzes the system of subsidies for affordable housing in the Czech Republic in the context of economically and socially disadvantaged regions. The main objective is to assess the extent to which the current public support framework fulfills its declared purpose of ensuring affordable housing for low-income households and to identify the institutional and economic factors influencing its effectiveness. The research uses qualitative comparative analysis of academic studies, statistical data, and strategic documents from 2012–2025. An interdisciplinary approach combines insights from economics, regional development, and public administration theory to critically evaluate the institutional framework of housing policy in the Czech Republic. The findings point to persistent systemic shortcomings, insufficient coordination between levels of public administration, fragmentation of competences, and a strong dependence on market mechanisms in addressing the issue of housing affordability. These factors contribute to the residualization of the public housing sector, which is narrowing to narrowly defined groups of the population and losing its stabilizing and developmental function. The study concludes that housing policy should be seen as a long-term and institutionally anchored tool for regional development, linking public investment, regulatory frameworks, and local capacity building to promote social cohesion and economic resilience.

Keywords: affordable housing; housing policy; institutional capacity; public administration; regional development; Czech Republic

JEL Classification: R21, R38, H53, O18

1 Introduction

Affordable housing constitutes a fundamental pillar of social stability and regional cohesion. In the Czech context, however, it has long been evident that the system of public support for housing faces institutional constraints that limit its effectiveness and spatial equity. The problem is not merely economic but primarily structural, stemming from the fragmentation of competences among different levels of public administration, weak policy coordination, and the insufficient absorptive capacity of regions (Organisation for Economic Co-operation and Development, 2024; Smékalová et al., 2015). These factors create a paradox in which the structurally disadvantaged regions, those for which subsidy programmes are primarily intended, tend to be less successful in accessing them.

Since 1990, Czech housing policy has undergone a profound transformation involving the privatisation of the housing stock, the strengthening of market principles, and the withdrawal of the state from its role as an active housing provider. This process has led to the residualisation of the public sector, whereby social housing has been reduced to narrowly defined groups of very low-income households (Berry, 2012; Milligan & Gilmour, 2012). As a result, public interventions often focus more on crisis situations than on their stabilising and developmental functions. At the same time, residualisation weakens the institutional framework that should ensure the long-term availability and sustainability of the housing stock.

In addition to institutional factors, housing affordability is also influenced by macroeconomic conditions, cyclical dynamics in the real-estate market, changes in interest rates, and investment volatility (Favilukis et al., 2023; Hromada, 2024). Rising prices and limited supply contribute to widening regional disparities, with economically weaker areas, particularly the Ústí nad Labem, Karlovy Vary, and Moravian-Silesian regions, showing the highest share of households at risk of excessive housing costs (Organisation for Economic Co-operation and Development, 2021; Eurostat, 2025). These regions therefore represent crucial areas for analysing the institutional mechanisms of public support, not only because of the scale of the problem but also due to the different strategies adopted to address structural disadvantages.

Similar challenges are evident across other post-transitional Central European countries, where the privatisation of housing stock likewise led to the residualisation of the public sector and a dependence on market mechanisms (Časni, 2022;

¹ Jan Evangelista Purkyně University, Faculty of Social and Economic Studies, Czech Republic, vvojtech@gmail.com

² Jan Evangelista Purkyně University, Faculty of Social and Economic Studies, Czech Republic, deniska.blahova@seznam.cz

Tsenkova, 2017). This broader regional context situates the Czech experience within a wider European framework in which institutional quality and public-administration capacity are key determinants of effective subsidy policy (Peters, 2019). From this perspective, the success of public housing-support programmes is determined not only by the volume of allocated resources but, above all, by the degree of institutional preparedness among actors, ministries, regional authorities, municipalities, and specialised funds (Lux & Sunega, 2014). A well-functioning institutional framework enables policy coordination, transparent resource allocation, and long-term planning, whereas weak governance leads to fragmentation and short-term, often reactive measures.

This paper therefore focuses on analysing the institutional limitations of the housing-subsidy system in the Czech Republic, with particular attention to economically and socially disadvantaged territories. Its aim is to identify the factors that influence the fulfilment of declared policy objectives and to assess the extent to which the current support framework genuinely contributes to housing affordability for low-income households. The approach builds on the assumption that housing policy should be understood not only as a social agenda but also as an instrument of regional development, whose effectiveness depends on the ability of institutions to coordinate public investments and regulations over the long term. Within this analytical framework, the paper addresses three research questions: What institutional barriers constrain the coordination of housing policy across different levels of public administration? How are these barriers reflected in regional disparities in access to subsidy support? To what extent does the current subsidy system contribute to achieving the objectives of regional development?

2 Methods

The research is based on a qualitative comparative analysis, which makes it possible to capture the institutional limitations and governance patterns within the system of affordable housing support in the Czech Republic. This approach is suitable for examining complex public policy systems in which economic, administrative, and social dimensions intersect, and where standard quantitative models cannot be applied (Ragin, 2009; Schneider & Wagemann, 2012). The methodological framework of the research combines three theoretical foundations: institutional theory (North, 1990; Peters, 2019), public policy analysis (Wu et al., 2015), and thematic content analysis (Mayring, 2014). This combination makes it possible to capture the complex relationships between the structure of institutions, modes of governance, and the effectiveness of subsidy programme implementation.

The unit of analysis is the institutional framework of housing policy, which was examined at the macro and meso levels. At the macro level, strategic documents and legislative frameworks were analysed, with the main sources including publications and other materials from the Ministry of Regional Development and the Ministry of Labour and Social Affairs. The meso level was represented by regional housing development strategies in the Ústí nad Labem, Karlovy Vary, and Moravian-Silesian regions, which have long exhibited structural disadvantage (MMR, 2024). This multi-level approach made it possible to observe not only the formal design of policies but also the institutional capacity and practical modes of implementation. The data corpus consisted of a total of 39 policy and strategic documents and a set of statistical indicators from the Czech Statistical Office (CZSO, 2024), Eurostat, and the OECD. Key sources included the Housing Strategy of the Czech Republic 2021+ (MMR, 2021), the Social Inclusion Strategy 2021–2030 (MPSV, 2021), the Concept of Social Housing of the Czech Republic 2015–2025 (MPSV, 2025), and the publication Housing Affordability in Cities in the Czech Republic (OECD, 2021). Additionally, a thematic analysis of academic studies focused on housing affordability in post-transitional economies was conducted (Časni, 2022; Lux & Sunega, 2014; Tsenkova, 2009).

The analytical process took place in four consecutive phases: coding, comparison, data triangulation, and synthesis of results. First, all documents were coded according to predefined categories that made it possible to identify institutional patterns and relationships between levels of governance. The structure of the categories used is summarised in Table 1.

Table 1 Analytical categories and coding framework

Main category	Subcategory / Indicator	Example source
Policy objectives	Declared priorities, implementation methods	MMR (2021)
Resource allocation	Regional distribution, volume of subsidies	Eurostat (2025)
Governance coordination	Inter-ministerial cooperation, vertical coordination	MMR (2024)
Effectiveness evaluation	Existence of evaluation reports, assessment methodologies	Lux & Sunega (2014)
Institutional capacity	Professional background and absorptive capacity of regions	Smékalová et al., (2015)

Source: Own processing based on MMR, Eurostat, OECD and academic studies (2012–2025)

After the coding phase, a comparison of institutional arrangements and subsidy mechanisms was carried out. The findings from the content analysis were further verified through triangulation with statistical data (CZSO, 2024; Eurostat). The results were subsequently synthesised into a comparative table summarising the institutional conditions affecting the effectiveness of subsidy policy. The main limitations of the research lie primarily in the uneven availability of data on local programmes and the limited possibility of quantifying causal relationships between institutional factors and social outcomes. The study therefore interprets its findings mainly at the analytical and interpretative level rather than in strictly causal terms. All data used were obtained from publicly available sources and do not contain any sensitive information.

3 Research results

The analysis of strategic, evaluation, and statistical documents shows that the system of public support for affordable housing in the Czech Republic exhibits a significant institutional imbalance between the central, regional, and local levels of governance. At the national level, the Ministry of Regional Development (MMR) plays a dominant role in formulating strategic objectives and managing key subsidy programmes. However, these frameworks are implemented through fragmented mechanisms. Public administration institutions often operate in parallel, lacking unified methodological guidance or systemic coordination. The results of the qualitative comparative analysis further confirm notable differences among structurally disadvantaged regions, specifically the Ústí nad Labem, Karlovy Vary, and Moravian-Silesian regions. These regions have a high proportion of households at risk of excessive housing costs, yet they differ in the degree of institutional coordination. In the Ústí nad Labem and Karlovy Vary regions, housing policy is implemented mainly in a reactive, subsidy-dependent manner, relying on individual calls and municipal projects often without a long-term strategic framework. In contrast, the Moravian-Silesian Region integrates housing support into a broader regional strategy of territorial revitalisation, linking it to the objectives of social inclusion and economic restructuring.

The analysis also identified four recurring institutional patterns that influence the effectiveness of subsidy policy:

1. a low level of inter-ministerial coordination between the Ministry of Regional Development (MMR), the Ministry of Labour and Social Affairs (MPSV), and the Ministry of Finance, which leads to fragmented policy objectives;
2. the absence of a unified framework for evaluating the impacts on housing affordability;
3. a strong reliance on market mechanisms, whereby the state primarily regulates the supply of loans while playing a limited role in the direct provision of housing;
4. persistent administrative inequalities between regions, which are reflected in varying levels of success in obtaining subsidies.

A summary of the main findings is presented in Table 2, which synthesises five key dimensions of the institutional conditions influencing the effectiveness of the subsidy policy in the Czech Republic.

Table 2 Institutional conditions affecting the effectiveness of housing subsidy policy in the Czech Republic

Analytical dimension	Findings
Coordination across government levels	Fragmented responsibilities between MMR, MPSV and MF, lack of uniform methodology
Allocation of funds	Concentration in Prague and Central Bohemia; low share for ÚK and MSK
Institutional capacity (absorptive capacity)	Low capacity in weaker regions, affecting project success rate
Evaluation and monitoring	Lack of impact assessment tools on housing affordability
Policy orientation	Shift from construction to renovation; market reliance increasing

Source: Own processing based on MMR, NRB, OECD and academic studies (2012–2025)

The results indicate that the effectiveness of the housing subsidy system in the Czech Republic is constrained by a combination of three interrelated mechanisms: administrative fragmentation, low absorptive capacity, and a persistent reliance on market-oriented solutions. This combination prevents public interventions from being effectively translated into the territories that need them most. Although recent years have brought positive examples of integrated approaches, particularly in the Moravian-Silesian Region, the system as a whole remains largely reactive and short-term. To achieve stable and lasting effects, it is therefore essential to strengthen institutional coordination, enhance the capacity of regional and local governments, and implement systematic evaluation of subsidy programme impacts.

These findings are further reinforced by the analysis of institutional barriers that constrain housing policy coordination and have a pronounced impact on regional disparities. A key obstacle to effective implementation remains the fragmentation of the institutional system. Competences among different levels of public administration are insufficiently interconnected, and there is a lack of multi-annual cooperation mechanisms between the state, regions, and municipalities. Although the Ministry of Regional Development sets the strategic frameworks, their implementation is predominantly project-based and short-term. Municipalities often focus on individual subsidy calls without linkage to long-term programmes, while regions lack a clearly defined coordinating role.

Another significant barrier is the horizontal misalignment between ministries, whose agendas are insufficiently harmonised and rely on differing metrics of success. These institutional barriers are reflected in regional disparities in access to subsidy support. Structurally weaker regions, such as the Ústí nad Labem and Karlovy Vary regions, face limited absorptive capacity due to a shortage of professional staff and financial resources for project preparation. As a result, the subsidy system tends to favour regions with higher administrative readiness, creating an imbalance between the formal openness of subsidy calls and the actual ability of municipalities to participate. Short deadlines, complex rules, and demanding project documentation requirements reinforce the so-called “shovel-ready bias”, directing support towards areas where projects are already prepared rather than where housing needs are most acute. Consequently, the current subsidy system contributes to achieving the goals of regional development only partially. While it generates important investment impulses and supports the regeneration of the housing stock, it contributes only marginally to long-term social stability and regional convergence. The dominant focus on physical outputs, such as the number of housing units built, does not allow for adequate assessment of actual outcomes, including housing affordability, sustainability, or the reduction of social exclusion. To enhance the system’s effectiveness, it is necessary to strengthen institutional coordination, establish systematic impact evaluation, and expand technical assistance to municipalities, so that the subsidy policy can serve not only economic but also socially integrative and regionally cohesive objectives.

4 Discussion and Conclusions

The results of the analysis confirm that the system of public support for affordable housing in the Czech Republic suffers from long-standing institutional weaknesses that significantly affect its impact on regional development and social cohesion. The problem does not lie solely in the volume of allocated funds but primarily in the quality of the institutional framework, which determines the ability of public actors to coordinate, implement, and evaluate housing support across territories. Three key factors, administrative fragmentation, limited absorptive capacity, and a strong reliance on market instruments, create an environment in which public interventions often fail to meet the real needs of regions. A comparative analysis of the Ústí nad Labem, Karlovy Vary, and Moravian-Silesian regions shows that the decisive factor in the success of subsidy policy is institutional preparedness and the quality of coordination at the regional level.

In recent years, the Moravian-Silesian Region has demonstrated the ability to link housing policy with a comprehensive strategy of social and economic revitalisation, enabling synergistic effects between investment, employment, and social integration. In contrast, in the Ústí nad Labem and Karlovy Vary regions, the approach to housing support remains more fragmented and dependent on individual municipal projects, lacking a strong regional framework. This contrast underscores that financial resources alone are not a guarantee of effectiveness; what truly matters is the institutional foundation, the ability to integrate different policies, and the continuity of strategic governance. From a theoretical perspective, these findings can be interpreted in the context of the residualisation of the public sector (Berry, 2012; Milligan & Gilmour, 2012), in which the state retreats from its active role as a housing provider and focuses mainly on compensatory measures targeting the most vulnerable groups. This trend, also confirmed by international literature, reduces the ability of housing policy to act as a systemic development instrument. At the same time, the situation can be analysed through the lens of new institutionalism (Peters, 2019), which emphasises that the quality of coordination, institutional stability, and the capacity to learn from practice are critical factors determining the effectiveness of public interventions.

The Czech case illustrates that the absence of these features leads to a predominance of short-term, administratively burdensome projects with limited territorial and social impact. The discussion of the results therefore points to the need to redefine housing policy as a structurally embedded component of regional development, rather than merely as a social agenda. Sustainability and regional balance cannot be achieved without linking financial instruments, regulatory frameworks, and local capacities into a coherent and coordinated system. The effectiveness of housing subsidies should thus be assessed not only in terms of quantitative indicators, such as the number of housing units built or the total investment volume, but also in terms of qualitative outcomes, including improvements in affordability, stability, and social inclusion within the given territory. In this regard, the success of subsidy policy is more a reflection of institutional quality, transparency, and continuity than of the financial resources invested.

Based on the conducted analysis, three key recommendations can be formulated for public administration practice:

1. Establish a unified framework for evaluating the impacts of subsidy programmes on housing affordability, enabling the monitoring of not only quantitative outcomes but also social and regional effects.
2. Strengthen the capacities of regional and local governments in the areas of project management, inter-ministerial coordination, and strategic planning.
3. Stabilise the financial and institutional instruments aimed at supporting the construction and regeneration of the housing stock, ensuring their long-term predictability and alignment with the objectives of regional policy.

In conclusion, the effectiveness of the housing subsidy system in the Czech Republic depends primarily on the quality of the institutional framework and the ability to integrate the economic and social objectives of public administration. Only a coordinated, continuously evaluated, and adaptive housing policy can fulfil a developmental function and contribute to reducing regional disparities. This conclusion also supports the broader argument that institutional quality is a fundamental determinant of the success of public policies in post-transformational economies, without it, even well-designed instruments remain fragmented, short-term, and only weakly effective.

References

- Berry, M. (2012). *Policy Instruments that Support Housing Supply: Social Housing*. Elsevier. <https://doi.org/10.1016/B978-0-08-047163-1.00261-7>
- Časni, A. Č. (2022, June). A note on house prices, property tax and government expenditure in post-transition EU countries: a panel var approach. In *Proceedings of FEB Zagreb International Odyssey Conference on Economics and Business* (Vol. 4, No. 1, pp. 192-197). University of Zagreb, Faculty of Economics and Business.
- Český statistický úřad. (2024, December 23). *Příjmy, výdaje a životní podmínky domácností*. <https://csu.gov.cz/prijmy-vydaje-a-zivotni-podminky-domacnosti>
- Eurostat. (2025, July 24). *Housing cost overburden rate by household type (EU-SILC survey) (data code TESSI166)*. https://ec.europa.eu/eurostat/databrowser/view/tessi166/default/table?lang=en&category=t_ilc.t_ilc_lv.t_ilc_lvho.t_ilc_lvho_hc
- Favilukis, J., Mabilille, P., & Van Nieuwerburgh, S. (2023). Affordable housing and city welfare. *The Review of Economic Studies*, 90(1), 293-330. <https://doi.org/10.1093/restud/rdac024>
- Hromada, E. (2024). Real estate insights on mortgage rates, apartment prices, and rentals in Czech Republic. *International Journal of Economic Sciences*, 13(1), 13-29. <https://doi.org/10.52950/ES.2024.13.1.002>
- Lux, M., & Sunega, P. (2014). Public housing in the post-socialist states of Central and Eastern Europe: Decline and an open future. *Housing Studies*, 29(4), 501-519. <https://doi.org/10.1080/02673037.2013.875986>

- Mayring, P. (2014). *Qualitative Content Analysis: Theoretical Foundation, Basic Procedures and Software Solution*. Beltz.
- Ministerstvo pro místní rozvoj ČR. (2021, 12. duben). *Koncepce bydlení České republiky 2021+*. <https://mmr.gov.cz/cs/ministerstvo/bytova-politika/archiv-do-2024/koncepce-strategie/8888888888888888>
- Ministerstvo pro místní rozvoj ČR. (2024). *Zpráva o dostupnosti bydlení 2024*. <https://mmr.gov.cz/cs/ministerstvo/bytova-politika/data-anylyzy-indikatory/zprava-o-dostupnosti-bydleni>
- Moravskoslezský kraj. (2019, December 12). *Strategie rozvoje Moravskoslezského kraje 2019–2027*.
- Mpsv.cz (2021). Strategie sociálního začleňování 2021-2030. available 07.08.2025 z: <https://www.mpsv.cz/strategie-socialniho-zaclenovani-2021-2030?>
- Mpsv.cz (2025). Koncepce sociálního bydlení ČR 2015-2025. available 10.09.2025 z: <https://www.mpsv.cz/koncepce-socialniho-bydleni-cr-2015-2025?>
- https://www.msk.cz/cs/temata/cestovni_ruch/strategie-rozvoje-moravskoslezskeho-kraje-2019_2027-1291/
- Národní rozvojová banka. (2025, April 30). *Výroční zpráva za rok 2024*. <https://www.nrb.cz/wp-content/uploads/2021/08/Vyrocní-zprava-NRB-za-rok-2024.pdf>
- North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge University Press.
- Organisation for Economic Co-operation and Development (OECD). (2021, June 23). *Housing affordability in cities in the Czech Republic*. OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/06/housing-affordability-in-cities-in-the-czech-republic_0bcf0adf/bcddcf4a-en.pdf
- Organisation for Economic Co-operation and Development (OECD). (2024). *Strengthening policies and institutions to increase housing affordability and investment in Czechia and Poland*. OECD Publishing. <https://doi.org/10.1787/4988c473-en>
- Peters, B. G. (2019). *Institutional theory in political science: The new institutionalism*. Edward Elgar Publishing.
- Ragin, C. C. (2009). *Redesigning social inquiry: Fuzzy sets and beyond*. University of Chicago press.
- Schneider, C. Q., & Wagemann, C. (2012). *Set-Theoretic Methods for the Social Sciences: A Guide to Qualitative Comparative Analysis*. Cambridge University Press. <https://doi.org/10.1017/CBO9781139004244>
- Smékalová, L., Janíček, P., Skarka, M., & Kozák, V. (2015). Spatial concentration of the cohesion policy projects in nationally delimited intervention areas: the case of the Czech Republic and Poland. *Economics & Sociology*, 8(2), 211–226. <https://doi.org/10.14254/2071-789X.2015/8-2/15>
- Tsenkova, S. (Ed.). (2009). *Housing policy reforms in post socialist Europe: Lost in transition*. Heidelberg: Physica-Verlag HD.
- Tsenkova, S. (2017). *Housing change in East and Central Europe: Integration or fragmentation?*. Routledge.
- Wu, X., Ramesh, M., & Howlett, M. (2015). Policy capacity: A conceptual framework for understanding policy competences and capabilities. *Policy and society*, 34(3-4), 165-171. <https://doi.org/10.1016/j.polsoc.2015.09.001>