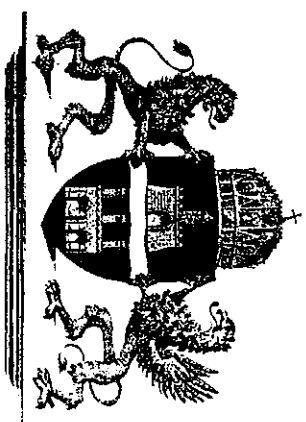




**THE PROGRAM OF
MAYOR DEMSZKY
FOR THE CITY OF BUDAPEST**

Preliminary Studies

MANAGEMENT OF ASSETS, URBAN RENEWAL AND HOUSING POLICY

Centre for Assets Management

We want to base the management of the assets of the City on a new foundation. These assets comprise institutions providing common services, apartment buildings, real-estate, stocks, securities, shares in businesses, and specifically established funds: the Rehabilitation and Residential Fund, the Public Works Development Fund and the Transportation Development Fund. For the management of these assets we want to establish a Centre for Assets Management. The task of this Centre is to assess the value of the aforementioned assets and to develop a strategy for their management and increment.

The fundamental principles of this strategy are: investing assets such that they increase in value, reorienting assets which are not profitable or are operating at a loss, formulating an assets policy based on free enterprise and private investment, and within this category, attracting the intensive participation of foreign working capital and using income from sales, conversions, joint ventures, etc. for developmental purposes. In addition, the Centre must practise a policy based on openness, competence, and cooperation with district governments, and must attempt to establish a uniform assets management system with independent forms of transfer for the entire metropolitan area.

The Centre for Assets Management, therefore, has a dual task: on the one hand, to preserve, record and maintain existing assets; second, to formulate principles for the growth of these assets. Executing steps to increase these assets, however, cannot be part of its responsibilities. The Centre for Assets Management is a non-profit organization, and should function as such.

Organizations for the Management of Assets

We will initiate a system of management organization for the growth and development of assets. This will take the legal form of a joint stock company. We want to invite Hungarian and foreign investors, the latter in proportion necessary to secure their share, such that the City retains a majority interest. Owners are the following: the government of the City, district governments according to agreements worked out with them, one or more Hungarian-based commercial banks, a foreign commercial bank, and a foreign expert real-estate company.

Areas of operation, not listed in their entirety, are the following: real-estate management and development, urban renewal and rehabilitation, the sale of residential and non-residential rental property, residential financing, residential construction, security exchanges, portfolio management, the restructuring of public service institutions, privatisation, and the establishment and management of the Rehabilitation and Residential Fund, the Public Works Development Fund and the Transportation Development Fund.

Rehabilitation

One of the objectives of the assets management organizations is the profitability of the lands and real-estate of the City, and in connection with this, the management of the Rehabilitation and Residential Fund.

Over one hundred thousand residents await rehabilitation within the inner districts of Budapest. Entire sections of the City are in a dilapidated and increasingly deteriorating condition. The more affluent among the population have long been escaping from these areas, currently on the verge of becoming slums and ghettos. One of the most important tasks of the City is rehabilitation of these areas. By rehabilitation we not only mean the renewal of residences and apartment buildings, but the revival of areas which are declining, sinking, and on the brink of ruin. Based on their location, optimally, we want to return the areas belonging to the centre of the city to their natural position, to reestablish the potential value of residences which have depreciated, and to launch a reurbanization process (a move into and a return to these areas).

We consider the revalorization of thousands of homes more important than building new ones.

Our most important tool for the realization of our rehabilitation objectives is an intelligent real-estate policy. We intend the task of recording, assessing with real-estate appraisers and companies, commissioning plans for and inaugurating use of municipal properties, to be under the leadership of the independent municipal Real-Estate Office of the Centre for Assets Management. In our present circumstances, the most favourable type of utilization (beyond sales and rentals) can be the formation of joint ventures with foreign investors.

There is significant need in the inner districts for office buildings, banks, and shopping centres, for the development of empty lots and the reconstruction of apartment buildings either in whole or in part. Construction of shops bring with it an appreciation in real-estate value and we want to apply income from these sources to the renewal of apartment buildings. Income is deposited into the Rehabilitation and Residential Fund account, management of which is carried out by the assets management organizations under the supervision of the Centre for Assets Management.

We expect the support of the World Bank in the execution of our rehabilitation program, partly in the form of a loan, and partly through the technical aid of experts in formulating the program.

Apartments in the rehabilitated buildings are for sale, but only at market value, and primarily in the form of cooperatives. Existing tenants can enter into various contracts. The point of origin in their instance is that until the time of death or moving elsewhere, the amount equivalent to the existing resident's vested right is deductible from the market rental value. As we will later discuss, tenants in the properties owned by the municipal governments are actually half owners, owning 50% of the market value of their apartments. Therefore, in their instance, the market rental value of their apartment in the rehabilitated building must be decreased by 50% of the market rental value prior to renewal. Subsequently, the following options must be guaranteed to them:

- a/ They can purchase the rehabilitated apartment such that half the market value of the apartment prior to renewal is deducted from the existing market value;
- b/ They can vacate the apartment and receive half the market value prior to renewal;
- c/ They can remain in the renewed apartment, and have their rent increase in proportion to strictly monitored operating costs. However,

when they vacate the apartment, the new resident pays market rental value.

In reference to the Rehabilitation Fund, the relationship between the City and the districts comes to mind, but we will address this question later.

The other rehabilitation task of the assets management organizations is the urban development of the area along the Danube south of Petőfi Bridge. In order to avoid misunderstanding, we would like to emphasize that large urban development is an inescapable part of inaugurating the pedestrian walks along both sides of the Danube and even within the present cycle, new public park(s).

Through establishing joint venture companies, with contracts on terms favourable for the City, we want to have hotels, office buildings, shopping centres, banks, well-built, aesthetic apartment buildings constructed behind the pedestrian walk along the Danube on Pest side, at the site of the MÁV freight rail depot, and further, between Soroksári Út and the Danube. We want to facilitate the creation of student housing and institutions serving academic purposes attached to an urban university campus at the Jágymányos industrial zone, Irányi Utca and between Budatöki Út and the Danube.

To accomplish these tasks, as well as the previously mentioned rehabilitation of the Inner City areas, it is essential that we revise the plans and building codes of the City.

Income from appreciation of the area along the Danube must also be paid into the Rehabilitation Fund and used for urban renewal. Again, we would emphasize that the Rehabilitation Fund is run by the assets management organizations of the City under the supervision of the Centre for Assets Management.

The Sale of Apartments

There is disagreement presently about the sale of apartments and various districts within the City follow practices at variance with one another. Final decision is expected from Parliament's acceptance of the Residential Law. Nevertheless, we feel it necessary to explain our position in the meantime.

It is absolutely essential to come to an agreement between the City and the districts which mediates divergent practices. We must clarify whether to continue the sale of residences or to call a moratorium. In the case of continuing to sell, we must address the second important issue - regulation of the asking price. The recommendation of the Office of the Mayor is that the sale of residences continue, but with a modification of the present conditions.

In conjunction with the sale of property, we would raise economic, political and sociological concerns. Economic arguments primarily advance that the condition of residences is deteriorating and their renewal is costly.

Sources for renewal include revenues from the sale of residences and increased rent. The latter can only yield funds over a long period of time and, because of opposition from tenants, it is questionable whether it will bring any revenues at all. In addition, rental increases require subsidies to such an extent that the entire income produced can be applied to this budget. Income from sales would accrue reliably, and more quickly than those originating from rental increases.

The other argument is political and sociological. People want to buy their apartments, to avoid paying increased rent. A segment of politicians wants just the opposite. This is no other than the survival of the mentality inherited from past eras, according to which what the people want is immaterial to what politicians consider rational.

Based on these arguments, we recommend the following:

a/ In the case of existing contracts, they must be upheld as valid (since they are); the terms of the contract must be entirely enforced. Residences advertised for sale must also adhere to the original terms and conditions.

b/ In the case of residences not advertised for sale, we recommend a modification of the terms of sale. We consider it a basic principle and accepted real-estate practice, that the municipal rental apartment is half the value of a similar privately owned apartment. At present, these are the prices for which municipal rental apartments are sold or exchanged, and these were the prices for which in large measure they were also purchased in the past. In other words, in the case of publicly held apartments, 50% must be the fundamental basis on which price re-evaluations are to be considered. Regarding instalment payments, we recommend the use of double indexing, that is, annual instalments in proportion to the wage index, while payments on principle increase according to inflation.

In the context of the agreements reached between the City and the districts, a predetermined share of the revenues from these sales is to be paid into the Rehabilitation and Residential Fund, which is run by the assets management organizations.

Sale of Rental Properties Other than Residences

Rental property other than residences should only be permitted to be sold at market value, deducting the amounts already paid for use and other investments. The revenues derived from the sale are payable to the Rehabilitation and Residential Fund.

Rents

We are convinced that, in the long run, market conditions will reign in the apartment sectors as well, but later than in the economy as a whole. A large segment of society in general will not be in a position for several more years to pay market value rents, or to purchase residences at market rates. They will be in a position to do so when and to the extent that their income reaches a level from which a market rent at 15%-20% of their income is payable.

Transferral of the burden of rental payments can proceed parallel to this process. The rising cost of energy puts a large number of households in a position in which they cannot tolerate another increase and would not be able to pay higher rents. It is known that the plans for rental increases were promulgated such that they would counterbalance the burden by introducing a rental subsidy program. It is obvious in today's less favourable circumstances, that the sphere of subsidized payments would have to be extended to half of all households, or to 60%, or even further. The greatest weakness of the plan however, is that there is no method within the next few years by means of which we can ascertain the number of people who are income earners or dependents living in one household, nor determine income levels.

For this reason, we want to substitute the complicated, difficult to enforce (and more than likely) doomed-to-fail former rent subsidy plan with a relatively simple solution. This solution, as regards present tenants, maintains current rental fees. Charges for new tenants are governed by an independent agreement between tenants and owners. Calculation of the current tenant's fixed-rate rental agreement is based on maintenance expenses without apartment renewal costs, but there can be additional discount for the elderly and those with many children. After the death or departure of a fixed-rate tenant, the

rental agreement of the available apartment must be in the form of a contract.

We must further accept the responsibility of providing socially adequate housing for the poor. Economically, politically, socially and morally, it is unacceptable to follow a policy which in the next few years produces a population of homeless. It is important to acknowledge that welfare residential housing will continue to be necessary in the future as well.

Rental Increases of Non-Residential Properties

We must increase the rent on non-residential properties to market levels over a long range period. (We must employ the services of real-estate agents and appraisers for establishing these rental rates.) We must, however, employ a gradual process in raising fees to market level. A policy which, in the hopes of increasing direct revenues, limits or endangers the economic activities of the residents is unacceptable. Common sense should be our guide-line in determining the extent of gradualness.

Residential Financing, Construction, and Residential Fund

Prerequisites for a new system of residential financing are: a valid mortgage system and the introduction of double-indexed loans. Formulation of a mortgage system requires legislation; double-indexed loans need a government guarantee. These, however, are merely prerequisites, over and beyond which there must be necessary capital

that the asset management company can draw on for loans for residential construction.

The basis for the necessary capital is the afore-mentioned Residential Fund. Its sources are the sale of residential and non-residential properties; revenues collected through new market-value rentals, and increased rents from non-residential properties.

The Residential Fund is managed by an assets management company and supplies the double-indexed loans from the aforementioned sources. It seems expedient that the residential and non-residential rental and other real estate properties of the municipalities be credited as value into the Residential Fund of the assets management companies through which, in proportion to their shares, they can have access to significant receipts. It must be made possible and facilitated for foreign commercial banks and insurance companies to become shareholders in companies and in the Residential Fund.

One of the objectives therefore of the assets management company is the accumulation and wise disbursement of capital for residential construction and development of residential holdings. The majority share of the municipal government ensures enforcement of the City's interest. The assets management company is, however, profit-oriented, has no legal power, and does not receive state support.

For the purpose of investing in residential construction, the assets management company can make loans to the municipal governments (who subsequently construct residences with the help of investors), investors, retirement homes, insurance companies and private parties. One tool for support of residential construction is the tax advantage for small and mid-size investors. One of the conditions of granting this advantage is that the construction occur in one of the locations designated in the plans for development by the districts. The other condition is the agreement between the investor and the municipal governments about appropriately regulated rental fees.

The assets management company, i.e., the bylaws of the Residential Fund, must guarantee that a certain portion of loans be made available for mixed ownership residential construction to benefit families who can only partially cover the costs. There must also be a stipulation in the bylaws that for a certain proportion of loans residences would be completed structurally only and the residents would be expected to contribute final finish with their own work.

A certain proportion of shares must be retained for the construction of welfare residences. In determining the proportion and distribution among the districts, the agreement between the City and the districts should give direction.

Residential Stocks

We will recommend that the assets management companies administering the Residential Fund issue stocks. These would be available for purchase per square metre for 15-20 year terms. The issuing company would need to guarantee that at maturity it will accept the stock against the value per square meter of a residential home at an average location and execution.

Privatisation of Real-Estate Management

In order to improve the quality of real-estate management, and to underscore the underlying principle of profit and loss, the only possible alternative is Privatisation. The process would be carried out by the district governments in such a way that the property management of certain city blocks are put to open tender. Determination of the

award for management is made by a general meeting of residents who make their selection from among the bidders. It seems appropriate in the beginning to advertise for a new contender annually.

Public Works Companies

Our public works companies differ greatly in the quality of services they provide, in the effectiveness of their financial management, and in the costs of needed development. Despite these differences, in each case it is unavoidable that we:

- economize management, support the principles of profit and loss, and eliminate waste;
- reorganize internal structures;
- gradually modernize outdated equipment and compensate according to means for postponed investments;
- separate and privatize activities outside the realm of public works services;
- privatize real-estate assets with significant maintenance costs, that is, restructure losing assets into profitable ones.

In executing these tasks we consider it a strictly adhered to principle that:

- assets cannot decrease but must increase;
- revenues from Privatisation are not to be applied to maintenance expenses but toward development.

We want to establish the Public Works Development Fund and Transportation Development Fund of the City. These funds are man-

aged by the assets management company under the supervision of the Centre for Assets Management.

Securities

Securities represent an easily convertible portion of the assets of the City. Due to legal requirements, their issuance and conveyance will be handled by specific organizations established for this purpose.

Business Shares

Business shares are interests more difficult to convert than securities. We will form specific organizations for their administration.

Currencies

Currencies represent the liquid portion of the assets of the City. We want to entrust their professional banking administration to the Hungarian commercial bank designated as the municipality's own.

Management of the Property Assets of the City

The property assets of the City must not only be thought of as the land under the ownership of the City and the districts, but also

that under private ownership, under the management or ownership of state organizations, factories, shops, department stores, residential buildings, hotel grounds - the entire area on which the City rests.

In terms of the future of Budapest, the most important and urgent task is to record these property values and to begin an intelligent property management program.

The first step in this process is the evaluation and recording of these properties; setting up a survey map and inventory such that it depicts the location, size and convertible value of key sections.

It would be easy and quick to set up a survey map and inventory of this nature, with minimal expense, because the value of the land is known exactly by real-estate buyers and sellers, investors, banks, lawyers, real-estate agents and appraisers. These latter carry out this work routinely on a daily basis. Real-estate agents and appraisers must be given a direct vested interest in setting up the city-wide record-keeping system. Local governments, banks and financial institutions already have a vested interest in this.

With the mutual agreement of the parties with vested interest, a property value registry agency must be established. As regards the technicalities of appraisal, fixed points must be designated at various parts of the City, and values per square metre must be established at these sites and later coordinated with one another.

Taking these fixed locations as points of departure, values must be registered at mid-points, and then these mid-points must be concentrated until all the land of the City is accounted for.

The validity of the assessments is assured by the jointly vested interest of the participants, and the fact that the evaluations refer to an entire area of the City in a given time, such that adjacent or distant properties can be compared, and everyone can do this. The assessment is nothing other than the recording of current market values.

The data must be made a matter of printed public record. Current market values must be followed consistently and brought to public notice annually.

Establishing and revising a property value inventory is no more than a prerequisite for intelligent property management. The first real step is the institution of a property tax in parallel with the diminution of other taxes. The key to the property tax is half a percent of the market value of the property, so that everyone can afford to pay it. This half percent must be introduced in conjunction with decreasing other taxes so that it does not represent an extreme burden for property owners as a whole.

The property tax must be imposed equally, on all developed and undeveloped land, without including buildings on the property.

The local tax law in effect makes possible, in the form of property tax, the introduction of a building and land tax. These must be replaced by a land assessment tax.

The first weakness of the existing law is the possibility that the building and land tax base is calculated on areas per square meter. There can be ten to twenty times the difference between buildings and land according to their location. It is incomprehensible and unfair that an owner with land or property on the outskirts of town pay the same tax as someone on prime real-estate.

The second shortcoming is the comparable value of the building tax and land tax. According to law, the building tax is three times the land tax; in other words, it penalizes the builder. Construction and investment are further penalized by the fact that the building tax increases in proportion to the value of the building.

Let us imagine three lots. On one, there is a sound building making optimal use of the value of the land. On the other is a dilapidated hut, and on the third there is nothing. The first owner, as a re-

sult of his investment, also increases the assets of the country, the owners of the second and third, relying on appreciation of land value, divert the land from development and without investment make an abundant profit. The law penalizes the person who with his construction increases the assets of the City; rewards the land speculator; and discourages those who would invest in the future.

A reason for appreciation in property values, but not the only reason, is inflation, which guides people instinctively to invest in real-estate. The value of property, however, also increases in sound economies with stable currencies at their disposal, because increase in productivity and improvement in living standards impacts and is expressed in terms of increase property values.

In addition, property values increase at a faster rate than productivity. In developed countries during the past few years, considerable savings have been accumulated, but a large portion of these was not placed into investments but into real-estate. As a result, there was a slow-down in the growth of the economy and the real-estate market boomed.

The many individual and common endeavours backfired. Individually sound, but in common and in final result, destructive speculation not only harms economic growth, but emphasizes and makes it more difficult to tolerate social differences. The more sunny, airy, beautiful, well-kept, developed, comfortable, accessible locations are anyway occupied by the wealthier class, but the immeasurable increase in real-estate prices has forced the exclusion of the poorer classes to near the boundaries of intolerance.

Introduction of the property tax curbs this tendency because it gives pause to those who would purchase land, not for the sake of development or investment, but exclusively because they are relying on its appreciation.

The property tax also forces owners of empty lots or lots with poor construction on them to choose. They can select to invest in proportion to the value of the land, or to sell it to someone who can and wants to manage it appropriately.

The choice of land will increase, and increases in the price of land will become more measured.

Based on the above, we will recommend to Parliament the modification of the law on local taxation in the following manner:

1. Property tax is payable as of January 1, 1993.
2. The subject of the tax: all developed or undeveloped, divided or undivided lots on City and town (municipal governments') land.
3. Those lots are exempt from tax which in combination with the building(s) on them operate fully without profit for the benefit of the community (churches, museums, universities, public hospitals, public medical centres and so forth). There are no partial exemptions.
4. The tax must be levied based on market value, excluding existing structures, constructions, foundations, trees, shrubs, etc.
5. Market value must be determined annually.
6. Land value must be expressed in square-fathoms [$=3.57$ square meters; 38.32 square feet] in the office of the Registry of Property Assessment in cities. In towns, the representative body determines the price and the amount of tax at the same time.
7. The City registries of property assessment are obligated to make their assessments public, to publish them in book form and to provide for their distribution in bookstores. Town representative bodies are required to make assessments a matter of public notice.

8. Objections can be made in writing or in person within 30 days after the assessed property value and property tax is made public at the City Registry of Property Assessment or the town representative body. This also applies to someone else's property assessment or taxation. Objections can be postponed. Decisions are made by the Registry of Property Assessment or the town representative body.
9. Appeals against the decision by the Registry of Property Assessment or the town representative body can be made within 15 days after delivery of the notice in the City, at county townships and at county property taxation committees to be established. Appeals cannot be postponed.
10. Complaints against the decisions on the appeal by the property taxation committees can be made at the courts in the City and in counties.
11. Tax is half percent of the assessed property value.
12. The annual property tax must be deducted from the personal income tax base. In the case of ownership by a business, the property tax must be accounted for as a business expense.

Property Value Appreciation Contribution

We recommend the introduction of contributions in those areas, and exclusively in those areas, which establish public works from public funds, or in other words, execute City planning by building bridges, roads, railway and metro lines, sewage, water, electrical, and/or gas facilities.

Such public works can be badly thought out, without profit, and even destructive. To the extent, however, that they are profitable,

property values increase in their neighbourhood more than in other parts of the City. The property value appreciation contribution, also known as "betterment", taxes this above-average increase. It is evident, of course, that public works are financed from public funds; however, the above average increase in property value accrues to the benefit of the private property owner.

It is reasonable, just and desirable, therefore, that the City make use of a portion of this unearned profit in the form of taxation or contribution and apply it toward investment expenses. Such betterment tax exonerates at least in part, the large portion of taxpayers from having to endure investment expenses, and shifts this burden in part to those at least who have most to benefit from the development of the public utility. It does not harm therefore, the taxpaying citizen's productivity and consumer spending. A further advantage is gained from discouraging speculation, that portion of property value appreciation which is based on anticipation of the future.

The betterment tax increases the availability of land in a given area. At the same time, it impedes the squandering of public funds and promotes intelligent expenditures. It sets up a criterion in other words, as to where and what kind of public works can be constructed. Appreciation in property value and the property value appreciation contribution confirms whether the public utility is truly profitable. We recommend introduction of the property appreciation contribution in the following manner:

1. Payment of the property appreciation contribution is payable as of January 1, 1993.
2. For purposes of taxation, the area must be designated on which a public utility is to be constructed or on which in consequence of a stated development project, an above-average increase in property value is expected. The subject of the tax is all land and lots occupying this area.

3. The contribution must be made after the above average appreciation in land value.
4. Appreciation must be determined annually. This task is under the jurisdiction of the Registry of Property Assessment.
5. Public notices, objections and appeals must be followed according to the proceedings discussed under property assessment taxation in the previous section.
6. The value of the contribution is one and a half percent of the above-average appreciation in value.
7. The span of the contribution is 30 years.

APPENDIX

Residential Construction Programs in Progress

II. Víziváros

Development of the Víziváros program calls for the construction of 852 residences. To date, 245 residences have been completed or are in the process of completion. There is additional land made available or prepared for the construction of 150 more. The remaining area has not become available yet due to the reconstruction of Királyfürdő [Király Baths] such that residential construction cannot commence. Expenditures to date have been 93 million forints. We have assured 143 rehabilitated exchange apartments.

III. Mocsárosdűlő

After construction of the necessary roads and public works facilities, approximately 3,500-4,000 residences (4,800 according to the program), commercial, medical, service and childcare facilities will become available on an area of some 117 hectares. For the realization of the program, waterworks, landfill, main sewage and plumbing operations are necessary. Furthermore, in order to reach the area, the main roads and the road to Szentendre require the construction of one or two public access overpasses.

Expropriation of the property has been going on since 1986, for which some 600 million forints have been spent at current rates, and some 90 rehabilitated exchange apartments have been used.

IV. Káposztásnegyer Phase II/a

Construction of the housing quarter is under way. To date, 1874 apartments are in process, or have been completed. Pending investigation of an investment program, an additional 700-750 apartments and structures can be constructed. Without expenditures for public works and transportation investments (main public utilities and main roads), the cost to date has been 880 million forints, of which the portion available for further residential construction is 230-250 million forints, in other words, a rather significant sum.

IV. Káposztásnegyer Phase II/b

Only rough land preparation operations have taken place in this area, for a cost of 580 million forints. The possibility for linkage to the main public works system is assured. In order to use the area for residential purposes, it is necessary to develop transportation connections (fixed-route mass transportation and expansion of public roads).

XIV. Zuglói: Nagy Lajos király Út - Egressy Út - Szugló Út

The accepted development program gives direction for the construction of some 800 residences. Presently, preparatory work is being

carried out, and within this, expropriations. Due to lack of funds, purchase of the property and its expropriation have slowed down considerably, and only those procedures initiated earlier are being carried out. On areas already at our disposal some 140-160 residences can be built. The total amount spent by the municipality is 80 million forints and 28 rehabilitated exchange apartments.

XVIII. Alacska Út Housing Project

Construction of the housing project is in progress. Conditions for the construction of an additional 250 apartments are assured. The Műszáth Residential Construction Association has submitted a request to the City and the district for residential construction. Expenses for the land preparation portion of the area for 250 residences is some 60 million forints.

XX. Szentlőrinc Housing Project

Of the approved 3,200 apartments, some 950 have been or are in the process of being completed. Continuation of the development depends on expansion of the existing public works and transportation networks. There is potential for constructing over two thousand more apartments. The total sum expended on public works, transportation, and land preparation has been 700 million forints.

SOCIAL POLICY - HOMELESSNESS

Social Program

Our action program covers two areas, easily distinguishable from each other:

- a) indirectly helping to carry out social functions that come under the authority of the district but affect the whole City,
- b) carrying out functions under the authority of the Municipal Government and those for which it has assumed responsibility.

Indirect Participation in the Social Policy of the City

The strategic or actual issues in this sphere of activities do not come under the direct scope of authority of the Municipal Government which, therefore, usually does not have funds to discharge them. However, their coordinating is necessary partly in the interests of the City population and/or certain sectors of that population with special needs, and partly in the interests of the most efficient use of the social institutional and resource system.

One way of achieving this is via regular consultation with the representatives of the districts, bringing together those who are in a decision-making position, and the interest and lobby groups. Another is by spreading information about expert views, opinions and new initiatives. A concrete manifestation of this would be the regular organization of an open Socio-Political Consulting Forum with the participation of the municipal and district social committees, the social organi-

zations and associations of the City, and the representatives and experts of the Ministry of Social Welfare.

This year, the very existence of some important institutional networks came into question at the same time that most local governments had serious financial difficulties. This obliges us to deal with the survival of these networks even if this should mean their radical transformation.

In a departure from normative subsidies given to operate other networks, local governments have not received any financial support for running day-care centres and for the care of young children. Unfortunately, the birth rate in Budapest is steadily declining, and this provides an additional impetus for the closure of day-care centres.

In the case of justified mergers of such facilities access by public transportation must be taken into consideration. There are exemplary cases to follow about how the closing facilities can be used for social purposes: for handicapped people, afternoon study centres, centres for mothers receiving child support or unemployment benefits, centres for their children, or even soup kitchens. We are against the non-social use of institutions; we are for private, autonomous forms of self-reliance, in parallel with the actual subsidizing of the tasks needed.

One of the most remarkable achievements of the past years in network developing is that family assistance centres have been created in the area of local social services. A window of opportunity opens up here for social workers trained by now specifically to solve social and emotional problems: the opportunity to help the needy to help themselves (to care of their own affairs, solve their own family problems; the social workers give assistance to the self-organization of special groups, the tutoring of children, the rehabilitation of adults, etc.). This improves the efficiency of social support to a considerable degree. Such activities are more and more necessary while there is an

unbearable pressure on the "fire-fighting" function - in the form of emergency cash - of this network. The resulting tensions, the lack of money and the absence of proper institutions as well as a feeling of aversion towards this non-traditional, indirect form of activity on the part of an authority, got some of these centres into serious trouble in some places.

In addition to help the existing networks survive and to facilitate worthy initiatives by (establishing close ties with charity organizations, foundations, etc.), we also want to create a fund to encourage the City-wide establishment over the next few years of a family assistance network. (Such a network currently functions in only a half of the districts.)

In the past years, the importance of local cash grants as a form of social support has grown immensely. In the middle of the 1970s about 10 million forints were allocated for emergency cash subsidies as a form of social welfare help, whereas this form of assistance totalled more than 1 billion forints by 1990.

The reason in part is a growing pauperization, a rise in the number of lonely people, a higher percentage of broken homes, the spread of drunkenness and the use of drugs.

However, we should also realize that there has been a significant structural change in the past years within the larger systems of distribution: budgetary subsidies (especially price subsidies) have been radically cut - while wages, salaries, and social insurance or welfare have fallen far behind the rate of inflation with a concomitant loss in their real value. In order to offset this process at least partially, the state has allocated an ever-increasing amount of money to help the local governments (formerly, councils). As a matter of course, this has never been a satisfactory solution even as a partial solution since the basic principle is based on a fallacy considering that the recipients would like to get an income not by being on the dole. The dysfunction

tions neither of an economy nor of a social security system can be dispensed of by relief coming from a local government.

It is evident that the population as a whole and the local governments have a mutual, and elementary, stake in putting an end to these dysfunctions. However, the transformation of a distorted distribution system requires the establishment of new forms of support coming from local governments and the creation of a new organization. This is why we have been urging the preparation of a social bill. We lend our support to all those efforts aimed at creating a more rational organizational framework for support given to retraining, social insurance, social welfare and support given by local governments. Here, we think for instance, of support to ease the financial burden of the so-called handicapped families by enabling those in need (depending on their problems) to have access to cheap credit rather than an outright cash grant; this is why we are working on a new system of certifying personal assets.

Those who need community help should not feel themselves to be second-class citizens. Therefore, instead of trying to institute a "poverty certificate," we are working on establishing an asset certificate to be issued by the local governments which, without invading the privacy of the persons involved, would provide information on possibilities of assistance below a certain level of income, and, while prohibiting the linkage and registration of data pertaining to different sorts of assistance.

By virtue of participating directly in social policy - of which we have mentioned only a few forms - the Municipal Government aims to see the formation, within the next years, of a social network responsive to initiatives and more differentiated than it is today. We have no illusions; we don't think that the poor will disappear. Our objective, moreover, is to create a network that the needy can turn to for help so that the City will not become divided into citizens and outcasts.

The Tasks of the City, and the Tasks the City Has Taken upon Itself

Let us begin with our administrative difficulties. The social team we have inherited consists of only 9 persons, and is therefore incapable of meeting either the functions required in the past but fulfilled today with a curtailed authority, or the new tasks which presuppose a training not provided in the former era. Right now, it is also problematical for the Municipal Government to accept domestic and foreign charitable donations and initiatives properly, as is the reception of the continuous and intensive flow of clients. The expert administration of institutions, the coordinating of district networks, the flow of information, the professional assistance given to those employed in the social networks of the City and their further training all also present administrative problems.

In order to solve these problems and to lay the groundwork for a social strategy suitable for the scope of authority now being formed, we intend to prepare the organizational plan of the Municipal Social Centre, and the Municipal Social Fund to provide financial backing.

In such a way, an organizational network would be formed for such disparate or unattended duties as:

- monitoring the social situation of the population in Budapest
- the operation of a statistical and information system
- the calculation of a subsistence level for the City
- a specific examination of certain networks and crisis areas
- the further training of employees working in the area of social services in Budapest
- the development of the means of support processes operating in the City

- a City-level coordinating of certain (district level) processes
- the management of foreign social projects
- the running of tender projects
- processing the cases of those who do not have a residence.

Behind the activities listed above, there is always a subproject the orderly completion of which runs into very serious difficulties under present circumstances.

It should be mentioned here that the Municipal Government operates the Gypsy Social and Educational Methodological Centre. We hope to solve the difficult problem of finding a lasting accommodation for this institute very soon. Solving this "inherited" problem alone requires at least 50 million forints. Following accommodation, we would like to run this institute as a minority cultural and social organizational centre, held up and recognized as a model of its kind.

Social Homes

Budapest, like other European cities, has an ageing population. Every fourth person is retired, and one in every three households has only inactive persons. The financial situation of the old is reflected by the fact that about 160,000 - 180,000 retirees need some form of social assistance.

One aspect of caring for senior citizens (which includes money grants, contributions to rent, day centres for the elderly, social help at home) which is the responsibility of the City is the operation of social homes. This network serves the purpose of giving shelter not only for the aged but also for the mentally or physically handicapped in the active age group. At the moment, the City operates 26 social homes, in

about 45 locations. Of these there are only 10 in Budapest, while the other 16 in the countryside, mostly at a considerable distance from the capital. Out of the 6,854 places, 4,100 are occupied by retirees, 1,510 by the mentally ill, 1,032 by the mentally handicapped, and 212 by those in need of a socially provided employment.

As a result of a parliamentary decision, the City receives 147,000 forints a year for sheltering one such person, and this money is insufficient even to operate at present levels. (Not to mention reconstruction work that begs to be completed at an estimated cost of 1 billion forints.)

While costs are growing rapidly, the allocated sums have remained unchanged for years. This year, we are beginning gradually to rebuild the structure of allocation for the social homes and make access to them dependent on the services offered and on the assets of those accommodated there.

It has come to light during the preparation of the budget and the strategic plan of the City Hall does not have even the most elementary information about the institutions. There are no records, and the professional, economic, technical and administrative activities remain entirely separate.

A system of information, registration and organization is already in the making, providing an overview of the institution and of the technical, professional, etc. situation of the network. This will serve as the basis of concrete decisions on development and other issues.

Right now, the social homes run by the City operate under extremely varied circumstances and are scattered around the country. They are located in castles, palaces, manor houses, stables, granaries, office buildings, high-rises, housing compounds, convents, dormitories, etc. Some of them cannot be converted to serve their present functions effectively even at a cost of tens of millions of forints, while they would be eminently suitable for other purposes.

With some exceptions, the whole network, including the buildings, has been used fundamentally to shelter and isolate masses of people. This contrasts sharply with our basic idea of giving integration a central place.

Today, the professional system of the social homes is riddled with grievous anomalies. Crowds of persons are placed there who are really in need of health treatment (in hospital or after-care treatment). The professional tension thus caused is exacerbated by the fact that the gap in budgetary allocations between public health institutions and the social network is growing. Health services have easier access to funds from the social insurance system than the social sphere has from local governments - or local governments from the central budget. This has an effect on wages, equipment, provisions, etc. In the areas of financing, supply and professionalism the social homes operate below standard.

Residents remain in these homes permanently on the whole, and the frequent "regrouping" between homes hampers a proper nursing atmosphere. Geographical distance also hinders contact with relatives. The human rights of the sheltered are often only inadequately respected, there not being enough professional and social supervision or sufficient publicity.

The essence of our social homes program is to gradually replace isolation and segregation with integration. In the course of the program:

- the bigger institutes will be broken down to smaller, special care units, and this principle will also be effected in the placement process
- in addition to the system of professional control, the relatives' groups will participate in strategic management of the homes
- daily activity will be promoted and, where possible, steady employment will be ensured to link the institute with the wider society

- churches and charity organizations will participate in the care functions
- the boundaries between the social homes and social assistance at home should be blurred.

We have started to organize a professional supervisory system in which the social homes will have an interest.

In the selection of the future management, the system of an open competition will be introduced which is not a very widespread phenomenon in this area. We also want to stimulate the propagation of creative solutions via bonuses tied to professional projects. In our judgement, even in the present, tight financial situation, the quality of the network can be improved within the next few years if we adopt market solutions in some of the areas, manage available funds in a more venturesome fashion, and reinvest the profits thus gained into the network.

Managing the Homelessness Problem

Homelessness is one of the manifestations of the present grave crisis of Hungarian society. Highlighting the brutal social crisis, it also reveals the lack of integrating and assisting institutions. It was less than two years ago, that a start was made in tackling this issue, but no programmatic measures were taken. Now, in addition to the most urgent measures, we have to work out the outline of a longer-term program.

An overwhelming majority of the homeless in the capital has never been resident in the City. For this reason, this is a problem for the Ministry of Social Welfare as much as for the capital where the homeless "just" appear. It would be unfair for the handling of the

homeless problem to burden only the City budget. Not only the Ministry but those localities from which the homeless move to Budapest should also be responsible for financing the relief program.

In what follows we provide an overview of the situation and outline the scope of the activities of the various institutions that attempt to cope with the homeless of the City.

Institutions Run by the City

The City presently administers 28 institutes with autonomous administration in the (adult) social policy branch. These institutes are, as a matter of course, also independent in geographical terms. Of these 28 institutes, 16 are in the countryside. The largest group of institutes has its head office at 82/b Dózsa György Street. Five senior citizen homes, four so-called transitional workers' home and two shelters for the homeless belong to this network, together with the central building.

Transitional workers' homes

	Capacity
152 Dózsa Gy. Street	430
10 József N. Square	70
29 Dobózi Street	180
84 Könyves K. Ring	200

Shelter for the homeless (capacity)

37 Bányá Street	160-200
4 Gyár Street, Budaörs	300

Our intention is to break, at a later point in time, this autonomously administered network comprising 11 bases, and to separate the above 6 institutions from the social homes for the aged, and to run them as an independent network. We are also planning to use and develop the building at 152 Dózsa György Street to become a methodological centre for the shelters.

On the basis of an earlier decision of the City Council, we have started to develop the so-called Crisis Intervention Medical and Social Station at 152 Dózsa György Street, which will, we hope, become a very significant novelty in the field of social work. On the one hand, all homeless persons would (in principle) fall under its authority who were "caught" in the net of the Shelter Foundation's client relations service based in the building; and, on the other, the use of 25-30 "hospital beds" located in this wing of the building would offer a shorter or longer-term, so-called "revolving door" type of crisis care and treatment for the occupants of the four transitory shelters (which have a total capacity of 900 persons) and for the two homeless shelters (which have a total 500-person capacity). We also want to create the possibility that the physicians working there could participate in the basic medical service offered by the district on the one hand, and in the psychiatric care of the City (and, later, within it, the treatment of alcoholics), which can serve as a model for the profession both in Hungary and abroad.

We have assigned the social worker and health care staff working at the six shelters for the homeless to this crisis station in order for them to have a uniform professional training.

The Budaörs Rehabilitation Home for the Homeless

Presently, this home cares for 300 persons. It has a winter capacity of 250 people. There is overall care there, with sufficient staff of physicians and nurses.

About 70 percent of the occupants are workers having either full-time or *ad hoc* employment. For a 900 forints monthly fee, they get three meals a day.

The building complex is owned by the Pilis Forest Park Company, and the contract expires by the end of this year. In order to replace the building, the plan is to buy the worker's home at 84 Külső Mester Street, that has a potential capacity of 150 to 200 persons. The Ministry of Social Welfare has promised to contribute 20 million forints to the purchase price of the real estate.

The Shelter at 37 Bányá Street

The property rights of the building are not clear at present, but the Property Administration Board of the Treasury would submit only the sale of a real estate to the Interministerial Board the property rights of which are clear. Recognizing that the lengthy administrative process could drag on indefinitely, the institution responsible for running the social home has started reconstruction work on the building.

The care of the homeless sheltered at 4 Bányá Street is carried out by 3 persons. Their work is made more difficult by the renovation works. Our intention is to take the building, following the final clearing up of property rights, to the Humanitarian Foundation as a contribution in kind.

We are going to do our best, as part of our long-term concept, to offer institutions (in part, in whole, or only under joint administration), in cases justified by professional considerations, to bigger and

professional social organizations (churches, associations, foundations) whereby the entire problem of homelessness in the City can be solved in a more efficient way. We want only to coordinate these complex tasks, and, if possible, to keep only those institutions under direct administration of the City that have no dependable alternative administrative body.

Institutions Run by Foundations

Shelter Foundation

This foundation grew out of the Social Committee for the Homeless in the beginning of 1989, and, by now, its biggest "shareholder" is the Office of the Mayor, so that, with a modicum of exaggeration, our own.

Out of the 22 million forints budgeted the Shelter Foundation offers:

- a) the Treatment Centre for the Homeless (social care for "ambulant" homeless persons, with a daily workload of 80 to 150 clients)
- b) individual care
- c) room, board, and care in the 15-person capacity shelter for the aged
- d) 15-person capacity, protected shelter, with individual care functions
- e) administration of hospitalization on behalf of the transitory workers' homes and other shelters.

The Shelter Foundation is cooperating, in a very useful manner, with the Socio-Political Division of the Municipal Government and

other institutions of the City Hall. Together, they run ongoing workshops which help not only the professional and coordinated performance of the daily routine works but also the unfolding of methodological analytic and research activities, and make possible the preparation of long-range forecasts and participation in scientific work and publishing efforts.

Oliver Twist Foundation, and the Family Assistance Centre of Újpest

This year the Office of the Mayor contributed 3.5 million forints for the Family Assistance Centre to the purchase of a 20-person capacity rehabilitation shelter. The shelter shall be operated by the Oliver Twist Foundation. Presently, the proper transformation works in the building are being carried out, and, according to plans, the operational costs are going to be borne by the Shelter Foundation.

Due to our mediation, the Canadian Embassy in Budapest has contributed 300,000 forints to the Family Assistance Centre of Újpest. Part of this donation was used to equip a second-hand clothes warehouse that will also serve as a rehabilitation employment opportunity for the homeless.

The Hungarian Chapter of the Knights Hospitallers of Malta

- a) The Knights Hospitallers, with the cooperation of the Municipal Government, have obtained a warehouse, which improves the efficiency of distributing the donations received.
- b) The Hospitallers would like to operate a nursing centre, a social and health centre for the homeless and a protected shelter for un-

wed mothers and their children in the building located at 53 Bajza Street, which is owned by the City.

The costs of operation, installation and renovation works have been taken over entirely by the Hospitalers.

Central District Office

The Municipal Government has applied for grants from the Ministry of Welfare to provide first degree social care for Hungarian citizens who have no permanent residence. With this task in mind, the District Office of the City has formed a team consisting of 4 persons, prepared for the performance of its new function. The fund of 20 million forints, already promised, is sufficient to ensure the following services:

1) <i>ad hoc</i> assistance for 3,000 persons in war-ranted cases, maximum 4 times annually	12 mFts
2) regular social assistance for 200 persons	6 mFts
3) buying of medicine, medical care and travel costs for the needy	2 mFts
	<i>Total 20 mFts</i>

Right now, it is a debatable point how we can channel the available funds to our clients not in cash form but as services and entitlements.

The Direct Activities of the Socio-Political Division

The Division

- 1) Ensures prompt placement of the homeless entitled to receive care in a social home.
- 2) Has sent a memo to the physicians that they have to receive homeless citizens according to their temporary place of stay. This effort requires constant mediation and representation of the interests of the homeless population.
- 3) Gives temporary identification cards to all homeless persons who have lost their documentations, and who cannot take gainful employment for the sole reason that they lack documentation.
- 4) Organizes, within the field of socio-politics, its own health care scheme (essentially for psycho-social treatment), staying strictly within its own scope of authority.
- 5) Gives professional assistance to all associations and foundations whose chartered duty is to care for the homeless. It organizes its domestic and international relations and participation at national and international meetings, and promotes continuing training and self-study.

Further conceptional and organizational decisions are needed for those who are getting out of the jurisdiction of child protection agencies, and especially for those who are leaving state wards since, in all probability, these individuals will require one or more of the adult

socio-political services available, but may easily have escaped the attention of the adult welfare agencies. Based on these decisions, a unified child protection program can be developed.

The Focal Points of Further Efforts

In connection with the homeless, attention should be focused on two basic areas. One is the prevention of homelessness and of persistent homelessness since the process of degradation and the adjustment to a subculture of marginalization is very difficult to reverse. The other area is the provisioning of the homeless people (to keep them at a subsistence level).

The possibilities of the City are quite limited. What can we do?

We should concentrate the existing social welfare cash payments and family assistance programs on keeping a roof over the heads of those who are on the verge of becoming homeless. This can take the form of encouraging people to move to a cheaper apartment, of contributing to rent or utilities payments, or of assistance to finding employment or some other source of income.

At a time when rules and regulations on housing are changing, mass eviction can be avoided even while respecting the right of the owners if an opportunity is given to tenants to adjust gradually to the tightening conditions. Special attention should be given to individual categories and extraordinary situations (history of illegal occupancy, tenants living in company or temporary apartments, etc.).

Orders concerning the termination of tenancy rights for persons who have spent a lengthy period of time in jail or hospital can be cancelled (if, in the meantime, they are paying rent). The tenancy, and ownership, rights of minors should be reinforced. (This does not mean

the inheritability of state-owned apartments, but it does mean the assurance of the right to rent.)

Workers' dormitories that are becoming superfluous in their original function at privatisation, should be given over to local governments, social security, charity organizations, to help provide shelter for the homeless.

An assistance scheme similar to that which is helping the unemployed should be used to assist those homeless persons who have small children (they would qualify for assistance only under certain conditions, for a certain period of time, and would receive only a set amount of aid, supported by some minor assistance programs).

The Handicapped

An estimated 10% of the population has a health problem which adversely affects their daily functioning. This 10% is, as a matter of course, heterogeneous, both as to their age composition and the kinds of afflictions they must live with. Solving their problem is, in many ways, not the responsibility of the local governments. However, they can play an active and initiating role in the case of these people as well.

Our principle is that, as far as it is possible, equal opportunities and rights should be guaranteed to the physically and mentally handicapped, and this means assuring more rights to the handicapped.

1992 will be the closing year of the United Nations' Decade of the Handicapped. We are going to establish a team of 4 to 5 persons, representing different fields of expertise, to organize, at the municipal level, a series of programs closing the decade. This team shall also give its opinion about the developments in the City, from the point of

view of what effects these developments will likely have on the handicapped (for instance, difficulties with transportation, the availability of infrastructural services, etc.). By analyzing employment trends, the team should work out suggestions and organize projects to manage new areas of tension.

Prevention and Early Recognition of Genetic Disorders

Diagnosing in the foetal stage is rare worldwide, and does not even include 10% of the preventable handicaps. A similar situation prevails in Hungary.

Giving information to the largest possible number of people is necessary in the area of prevention both for obstetricians and for those wishing to give birth. More importance should be accorded to prenatal care (family assistance programs), and considerable improvement is needed in the institutionalized screening of pregnant women.

A serious information campaign is needed to improve the early recognition of handicaps. Obstetricians and even pediatricians lack sufficient knowledge of the possibilities open to children suffering from genetic disorders, due, first of all, to rapid development in the field.

It is necessary to prepare and distribute brochures that give information to parents about who they should turn to, what rights they have, where they can find education and care, where self-help and interest groups and lobbying institutions can be found. A web of relations should be woven between maternity wards, child treatment centres, handicapped children's development centres, counselling stations, interest groups, and parents ready and willing to offer friendly

assistance. The appropriate institutions of the City are taking an active role in this informative and organizational work.

Budapest has two handicapped children's development centres. One specializes in locomotive disorders, the other in education (the Infant Neurology Department at the Szabadság Hill Children's Clinic and units of the College for Special Education). They are getting to be known more and more within the profession, but have a very limited capacity. The National Interest Organization of the Mentally Handicapped has plans to establish another centre.

The most effective way of helping overcome, or reduce the effects of, infantile genetic disorders is by the creating of a system able to send special educators regularly (once a week) to homes in which families need help.

Pedagogical Rehabilitation

The acceptance of the otherness of the handicapped is best promoted by co-education of the new generations, i.e., by having them grow up in the same institutions where the handicapped are helped by special educators. This approach does not have much of a tradition in Hungary (out of the 50,000 handicapped, only about 200 participate in an integrated educational system), and its implementation needs far more resources than are now available. At any rate, we are going to increase the rate of the educational integration of handicapped as much as we can. In 1992, we hope to organize a conference on the possibilities of integrated education.

It is desirable to dilute by all means available the existing closed system of special educational institutions based on students living behind institutional walls, since this kind of segregation well-nigh destroys any chance that those leaving these institutions at the age of 18

to can ever readjust to the family, not to mention society. We have to make sure that those who wish to keep a handicapped child at home can do so, and that those who cannot afford to do this have the opportunity to see the child as often as they wish. In the case of parents living far away from special institutions, this necessitates more substantial contributions to transportation. A real solution would be the transport van system, a time-proven method in many countries, whereby children could shuttle between home and their place of study. Some expenses could be reduced if special educators would not have to work two shifts (and, this way, they would be able to work in normal schools and take part in the integrated educational system). This solution seems to be viable on the long run, and during the first stage, a van pool could be organized by participating companies or charity organizations.

Social Rehabilitation

The institutions giving assistance to families with handicapped children have, basically, been established (even though they can be criticized), and seriously handicapped citizens are entitled to receive an allowance as soon as they reach school age. However, those less seriously incapacitated are not entitled, by their own right, to any benefit, and their employment is becoming more and more problematical as a result of the present situation in the labour market. We are trying to have the quality of protective employment raised to the level required.

Presently, most of the handicapped live in institutes with hundreds of their disabled companions, and only a fraction of them live together with their family. The latter represent an extraordinary physical and mental stress on the families in spite of their best inten-

tion to help. These situations can only be alleviated by special family assistance systems.

As an experiment, we are planning to set up a centre for assisting families with disabled children within the next few years. This institution, other than discharging functions of the routine family assistance programs, would also take care of the special needs of parents and children. It would assist the development of the abilities of these children starting from tutoring to handicraft practice and to logopaedic work. By establishing family clubs, giving psychological counselling, and with special educational and psychological attention turned to siblings, some of the burdens on the families would be removed. The centre would start educational courses not only for parents but also for experts, and it would organize regular baby-sitting services for member families and other programs that could cement the community.

The centre would employ about 15 family nurses deployed to cater to the needs of 120 families. The estimated costs of establishing the centre are lower than they would be if parents, exhausted, were to place their children in special institutes.

For the handicapped not living with their own family and unable to lead an independent life, a humane, and relatively autonomous, solution would be the creation of homes having the size of a family of about 8 to 10 members. In these homes social workers and special educators would work to an extent that would depend on the needs of the handicapped. Only the initial expenses for such homes are high, while their upkeep is cheaper than that of impersonal institutions with a giant administrative apparatus: the per capita allocation from the state budget would be sufficient to run these homes.

The overwhelming majority of the handicapped are able to live an independent life, and are dependent on the help of others only at

home. The monies spent on their treatment should be given to them, and, this way, they can decide who to hire and for what purpose.

Employment Rehabilitation

The unemployment rate of the handicapped is estimated to be about five times as high as that of the non-handicapped. In developed countries the organization coordinating rehabilitation is an organ of the labour market whereas in Hungary it is the so-called Local Rehabilitation Commission (LRC), a body with an uncertain status, and attached to the health and/or social administrative organization of local governments. This LRC is unable to perform its duty since it simply does not get the means and authority required to function properly.

The activities of the LRC consists of preparing documents certifying an absence of proper employment for the unemployed whose ability to work is reduced by 50%. This certificate then entitles the bearer to receive social insurance benefits. In case of a reduction in the working ability of less than 50%, the LRC is impotent, and it is expected that tensions will grow with the increase in unemployment.

On the basis of the above considerations, we are initiating a motion with the ministries of welfare and labour to place the system of employment rehabilitation facilities under the authority of the Ministry of Labour, thereby integrating rehabilitation into the organizations of the labour market. We are initiating the entire reorganization of the whole employment rehabilitation scene, since the present system was created in 1983, in the era of so-called full and efficient employment, and, has, by now, become completely obsolete.

In agreement with local governments and potential employers, local tax and entrepreneurial benefits should be given to those who employ the handicapped, even in cases when a single disadvantaged

person is employed. We also recommend that social security assume responsibility for paying for vacations for these people.

In addition to all the above, we also need certain privileges. As in Austria, where the handicapped alone are authorized to sell Christmas ornaments and decorations (in other countries, other items), so it would greatly assist the handicapped in Hungary if they were to receive the exclusive right to market certain products.

Most of the handicapped looking for employment are satisfied with the normal labour market organizations, but it is important for us to create a special placement centre for them. In case of a significant decrease in the ability to work or of a need for rehabilitation help and advice about career change, this would function as a specialized labour market organization and retraining centre.

It is already possible today to take classes in special schools that prepare 16 to 18-year olds for future employment. In reality, these classes are geared, basically, to maintain the level of the students and they prepare them only to seal envelopes or perform similar work. The two-year curriculum preparing students for semi-skilled work is open only to certain strata. Perhaps in the future, grants by the Ministry of Labour will make it possible to bring new professions within the scope of retraining and to widen the selection of job training programs. What the Municipal Government can do here is to launch and support several courses that are really designed to prepare for future jobs, using funds earmarked for employment assistance and retraining, and build on the experiments that have been made to date.

There are about 14 social employers in the City that function on a profit basis. They employ the aged and those crowded out from other jobs for being socially disadvantaged. They also provide rehabilitation employment for the disabled. The majority of the employers merely get by, using, foremost, hired labour; the economic regulations in their case is full of contradictions, and these employers are unable

to develop further for personality and financial reasons. All of this makes the review of their operation necessary.

The Municipal Government is urging the institutions funded by budgetary allocation to employ a greater number of the disabled. According to an existing regulation, 3% of the staff of economic organizations should be composed of the disabled, except those organizations financed out of the state budget that discharge residual functions. We would like to see the changing of this system: in the economically developed world, the sector financed out of state budget always employs a higher percentage of disabled persons than the private sector.