

HOUSING

Challenges for infrastructure provision of post-socialist Moscow megacity: housing and communal services

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Urban infrastructure in Russia was heavily subsidized by the state during the socialist period. The market economy is bringing new participants, which could have a significant impact on collective consumption institutions.

When, in the 1990s, a shift to the market economy shook the established financial network of the socialist state the sector of Housing and Communal Services (HCS) ('zhilizhchno-kommunal'noe khozyaistvo' in Russian), which had been heavily financed by the Soviet state, shrank dramatically. In the Soviet Union, HCS supported the provision of basic infrastructure and services such as heating, power, water, sewage and sanitation to residents in urban and rural settlements. The maintenance of residential buildings and the surrounding areas, including waste collection, cleaning of public spaces inside and outside buildings, greening and repair of roads, was and is part of the HCS's responsibilities.

After the collapse of the Soviet Union and the initiation of the reforms shifting to the market economy, Russia experienced problems and trends similar to those that arose in other post-socialist countries in Central and Eastern Europe, where processes of decentralization and marketization have occurred (LGI, 2007). The HCS department was not excluded from the general transition from a planning system to a free market, but it has become one of the most problematic sectors of the Russian economy. In spite of the fact that reforms in the HCS and their concomitant problems have been discussed regularly by Russian media, governmental officials and deputies since the mid-1990s, the situation remains very serious. By 2010, according to estimations made by the Russian Federation Ministry for Regional Development, 65% of water pipes, 58% of sewage pipes, 54% of water purification machines and others needed urgent repair, and on average, 55% of the infrastructure was in a miserable condition (Informatsionnyi tsentr reform GKH, 2011).

The quality of housing services and living standards is considered to be one of the most important problems by the Russian residents themselves, who rate the situation in

the housing and communal services sector and low living standards second only to inflation, which is ranked first in the list of the most important problems, according to the results of the initiative Russian opinion poll conducted in the 46 regions of Russia in September 2011 by the Russian Public Opinion Research Center (VICOM, 2011).

The increase in payments for housing and utilities was among the first and one of the immediate and noticeable consequences of Russia's integration into the market economy; another was the arrival of the new private providers into the sphere, which had long been dominated by the state; third, the decentralization of the governance system occurred.

Decentralization of governance and management

The Soviet system of governance of the HCS was developed in the late 1920s and was a vertical hierarchical system, with the Ministry of Housing and Communal Services of the Russian Federation at the top, Provincial Departments in the middle and municipal administration at the bottom. In 1959, so-called 'housing-maintenance offices' ('GEK' in Russia) were established to manage the infrastructural provision and services in the houses, but they were fully accountable to the local administration. Thus Soviet residents had little influence on management (only partly in cooperative houses) or resource provision and its quality, but the rents were stable, low and equal for all residents.

Since 2003, when reform of local governance took place and the number of municipalities doubled, there have been three type of municipalities: settlements (urban or rural), municipal districts (rayons), which usually cover a number of villages with a town or the largest settlement serving as the administrative center, and city counties (okrug), which usually cover a number of urban-type

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settlements, villages and small towns. The reform restructured the provision of the services: housing and communal services should be regulated by the administration on the level of the settlements, while education, health and security, and governance were provided at a district level.

In fact, the current system of HCS is reminiscent of the Soviet system in its structure, as there is a Department of HCS of the Russian Federation, which is under the Ministry of Regional Development of the Russian Federation. Every Province and federal subject has its own Ministry of HCS. Moscow-city, being a federal subject, has its own 'Department of Housing and Communal Services and Improvements'. Inside the city, every district, in the same manner as every settlement, has an independent Department of HCS, which regulates the activities of the management offices of each neighbourhood. The management offices, recognized as commercial enterprises, besides of collecting payments they have also the right to regulate and choose relations with energy and service providers, and look for profit from other sources, such as advertisement or renting of space. Furthermore, tenants of multi-storey apartment houses have also the right to choose their providers and type of management.

Since the revision of the Housing Codex in 2004, at present there are three options for apartment-house management: it can be managed by a Residents' Association (TSG), which may hire a company for management or sign contracts with providers directly (1); by a Residents' Cooperative (GSK) (2); or by the municipal management company (3) (Article 161, Housing Codex, 2009).

There are distinctions between Residents' Associations and Residents' Cooperatives in terms of the organization of management, decision making and others, but these distinctions are often too fine to understand without the assistance of a lawyer, which is one of the reasons why most residents tend to reject new opportunities for management; if they are not forced to accept to change, they prefer to stay with their well-known 'house maintenance' companies (in Russian abbreviation GEK, or REU) from the Soviet era. Another factor that chills enthusiasm about independent management is the fact that opportunities for small-scale enterprises in housing management have attracted too many swindlers into this sphere. Mass media news stories and warnings about companies that collect payments from the tenants of the neighbourhood and then disappear have reduced goodwill to switch to new types of management, even if the company promises a reasonable fee for services of better quality.

Correlations between costs and payments

A specific phenomenon of the 'culture of poverty', which coexisted with the deeply ingrained egalitarian value sys-

tem (Andrusz, 1992, 234) that characterized the Soviet society, has been evident in the system of payments for housing utilities. From the late 1920s (when the system was established) to the late 1990s, when the growth started, an average urban family spent about 2.5% of its income on housing and services payment, which was far below the real cost of resource consumption. The difference was compensated partly by industrial enterprises and mainly by the state, which controlled all means of production and investment in the context of the planned economy.

One of the direct effects of the introduction of the market was the increase of in utility payments in the context of the transitional economy, where household expenditure on urban services grew to 23-30% (Buckley & Tsenkova, 2006). For example, in Moscow city, which is the most economically developed federal region in the country, payments for infrastructure and services (heating, cold and hot water, gas, and electricity) increased ten times in ten years from 2001 to 2011 (Agenstvo RiF, 2011).

A policy to increase payments for service provision and energy consumption in a way that would cover 100% of the costs was announced for the first time in 1992 (Law of Russian Federation No 4218-1 'On Basics of Federal Housing Policy'). Initially the transition to 100% payments was planned by 1997, but as such measures were crushing for the majority of the population (the inflation rate in December 1992 was 2333.30 per cent), it was decided to shift the backing of the HCS from the state onto local municipalities, who had to develop their own strategies on HCS under the market economy.

According to Article 153 of the Russian Federation Housing Codex, all citizens have to pay for the use of housing space and for services. Thus, a typical bill includes: fee for the use of living space (rent); fee for maintenance and repair of the living space; fee for communal services; and fee for energy supply (Zhilizhchnyi codex, 2009, p. 68).

Moscow municipality developed means to reduce the weight of payments for the poorest families through the system of subsidizing households whose income was below poverty line. Although it announced a policy to introduce '100% payments for the provision of services', Moscow government until recently subsidized all Muscovites by about 30%, and will continue to subsidize governmental officials, military and police personnel and their families by 50%. In addition to the subsidy system, a policy of differentiated rent and services estimation is evolving.

Muscovites have to pay rent for their apartments (Moscow citizens mostly live in the apartment buildings) if they are living in a non-privatized flat, i.e. they are renting it from the municipality. The system of rent differentiation makes it possible to distinguish the content of a bill for an apartment in a house built by a developer from

that for an apartment in a social housing complex. For example, rent for an apartment of 56 sq. meters, on the ground floor of a building without an elevator or a rubbish chute, located in the suburbs and owned by the social housing is 3587 roubles; while the rent for the same not privatized flat, but in a building constructed by private developer and thus unsubsidized by municipality, is 2142.92 roubles (Calculator for the costs of services (RIA-Novosti, 2011). However, this system of estimation does not have a significant impact on the numerous owners of the privatized apartments (74% of Moscow's housing resources), as they do not pay rent fees to the municipality. In general, a bill for communal services is still calculated using criteria developed under the socialist economy, which considered the size of the apartment and the number of registered residents as the most important characteristics, but not the income of the tenants.

While residents now have the right to choose their providers and managers, they can still have little effect on the general policy. For example, from November 2011, new rules on the provision of communal services came into effect in Moscow. Moscow's government changed the rules by which bills and penalties have to be calculated, issued and paid (Pravitelstvo Moskvi, 2011). For the first time it introduced a division between fees for household consumption and fees for home maintenance. Also, the period for the provision of services on credit was reduced from six months to three, which means that if a tenant does not pay the utility bills (electricity, gas, or water) for more than three months, the service will be cut off.

Collective consumption and the post-socialist market in Moscow

Access to basic services such as water is one of the fundamental rights guaranteed by the state in the Soviet Union, but under the period of transition to capitalism and market economy, the identification of the new guarantors is necessary. Recent decades 'witnessed a degree of convergence towards the liberal welfare-state model' in the nature and level of public services provision throughout the world (Pacione, 2009, 353), Housing and communal services in Moscow-city also show a tendency to move towards a free market through marketization of the services and decentralization of the governance, i.e. the private sector has replaced the public in service provision, and the devolution of powers has taken place, as in countries in Eastern and Central Europe (LGI, 2007). However, it has some specific characteristics.

Free competition, which could be one of the efficient means of quality and price regulation, is extremely low. The provision of electricity, water and gas is dominated by a

few corporations, such as Mosvodokanal, which is a single state-run supplier of water in Moscow and its surroundings; Mosenergo (formerly state-run, now a joint-stock company) provides 65% of electric energy and heating, 27% is provided by MOEK, and only 5% by others. State-run company Mosgas is a major player in the provision of gas for the residential sector, while three others companies work primarily with industrial and commercial customers. According to the federal law, all tariffs for energy resources and water are regulated by the local administration, i.e. Moscow Government in the city or the Government of the Moscow Province in its surroundings.

The role of the private actors in services management is increasing, but private enterprises face many obstacles. As well as the abovementioned reasons, when residents commonly consider them as untrustworthy, private companies are often forced out of the area by the former Soviet 'house maintenance' companies, which are trying to keep their monopoly. According to a report prepared by the Department of Moscow-city on Competitive Activity, there is a whole set of factors that complicate free competition between municipal and private companies: from artificial limitations to consumers' ability to change service company to undeveloped mechanisms for providing compensation to low-income residents (Departament goroda Moskvy, 2011). In other words, the state of relationships between public and private actors needs serious review to be able to contribute to better quality and lower costs for services.

The established governance system still has many features of the Soviet vertical governance, which makes it awkwardly inflexible in developing new institutions for service provision in the market context. The results of reforms on the decentralization of governance have revealed that quite often resources and abilities of local administrations are inadequate to upgrade their networks without intervention from the state. For this reason, the 'Fund for Assistance to Reforms on Housing and Communal Services' (Federal Law No185-F3) was established in 2007. Only large urban agglomerations could accumulate enough resources to develop an independent policy on services provision and to support the low-income groups in the population. As they face the challenge of rapid increase of population due to migration along with urban growth, there is a need to develop more flexible and transparent mechanisms for governance on services provision that will target different social groups of citizens and stimulate more sustainable patterns of urban living. ★

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