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Reforming Housing and Utilities Services in Russia: Obstacles to Making Residents and Agencies Play by the New Rules

JØRN HOLM-HANSEN & RADIK SADYKOV

Abstract

Since the 1990s, the Russian authorities have attempted to reform housing policies to relieve the burden on public budgets. The regime has turned to neoliberal instruments of decentralisation, privatisation, responsabilisation and commercialisation. These have had to be balanced against a social contract based on residents' expectations of how housing and utilities services are provided. The new instruments have struggled to make any difference in the dominant patrimonial setting, resulting in a contradictory policy pattern and ongoing controversies. Based on a field study that was made between 2014 and 2017, the article shows how the controversy unfolded during this period in three cases: homeowners' associations, property management companies and the top-to-bottom repair of apartment buildings.

IN VERY EXPLICIT WAYS, ONGOING REFORMS OF RUSSIA'S HOUSING policies bring to the fore core elements of the thinking behind welfare reforms in general. The reforms studied in this article take place within what in Russia is an integrated policy sector covering the management and upkeep of housing stock as well as energy and water supply. In everyday speech, journalism and politics the policy sector is referred to as ZhKKh, an abbreviation of *zhilishchno-kommunal'noe khozyaistvo* (housing and utilities economy). Wider housing policies, such as those related to financing new housing construction, will not be discussed.

Various mechanisms have been introduced over the last three decades in the housing and utilities sector with the aim of reducing the burden of housing provision and services on the

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state. Following Collier (2011, p. 8), the mechanisms can be summed up as marketisation (of production and maintenance), commercialisation (of production) and responsabilisation (of 'users'). Alternatively, this could be framed as the privatisation of provisions, the individualisation of risks, the monetisation of access and the decentralisation of management (Cerami 2009) or market provision and individual responsibility and de-emphasised public provision and state responsibility (Cook 2013, p. 3). The aim has been to 'debudgetise': to relieve public budgets and unburden public administration. This article shows how these mechanisms have been received in the Russian context.

Although most scholars studying the Russian regime characterise it as semi-authoritarian, hybrid or outright authoritarian, very few would claim that relations between state and society in Russia are based solely upon direct repression. The state still seeks legitimacy through elections, although they take place within a framework of 'competitive authoritarian regimes' (Levitsky & Way 2010) or 'electoral authoritarianism', described by Schedler (2015) as 'authoritarianism behind the institutional facades of representative democracy'. Formally democratic institutions, including a multiparty system, are combined with authoritarian techniques of governance.

While emulating many neoliberal techniques from Western countries, Putin's regime is vulnerable to both consumerist and civic demands (Sakwa 2015). As noted by Hemment (2012), social welfare reform in Russia is generally not regarded as something that affects 'others' but engages large segments of the population. In other words, interests are not fragmented, as they would have been in a typically liberal welfare model (Cook 2013, p. 13).

The regime is dependent upon its ability to deliver expected welfare provisions without directly charging the population, that is, in line with popular and path dependent expectations 'mimicking some elements of the Soviet past' (Henry *et al.* 2016), often referred to as 'paternalism'. These expectations can be seen as the regime's Achilles' heel because they are contrary to the neoliberal restructuring it has undertaken to reduce the budgetary and administrative burden. Therefore, contention over welfare issues is particularly sensitive for the Russian regime, making welfare policies in the broad sense a balancing act.

In addition to being challenged by a popular demand for paternalism, Russian attempts at neoliberal reform are made in a setting of patronalist practices (Hale 2017), in which personal connections and networks of acquaintances dominate. The exchange of concrete rewards and punishments is personalised instead of being abstract and impersonal as they would need to be in order, for example, for homeowners or property management companies to operate as calculating individuals or firms in a market context.

Moreover, Russia still bears traces of patrimonialism, 'a regime where the rights of sovereignty and those of ownership blend to the point of being indistinguishable, and political power is exercised in the same manner as economic power', to use Richard Pipes' definition (Pipes 1995, pp. 22–3). The way privatisation has taken place in Russia, for instance in the case of the railways, has been viewed as a blatant example of neopatrimonialism and crony capitalism (Gel'man 2016) that allowed state-owned assets to be converted into private profit. People's awareness of patrimonialist practices is relevant to understanding the failure to transform the municipal services for housing and utilities into companies. For ordinary citizens, for example, in their capacity as homeowners, the patrimonialist legacy impedes trust in market actors.

The housing and utilities sector stands out because it affects the majority of Russians not only segments of the population or people in specific phases of their lives. Most Russians

live in apartment buildings in which apartments are individually owned. The principles on which the system of housing and utilities is based and the way they are put into practice are almost identical all over the federation. The fact that most residents are concentrated physically in dense neighbourhoods and subject to similar conditions all over the country means that minor policy changes may have wide repercussions. This is not to say that all residents are in the same situation. The growth in the share of residents who have bought their homes, often newbuilt homes, may have an impact on the unity of residents. New homeowners may be more involved in mortgage policies and less in major renovation of the buildings in which they live than those who live in former public housing that has been privatised. Nonetheless, the housing and utilities sector is one of the most controversial policy areas in Russia, and one that motivates people to engage in public protest as a result of mainly low intensity but permanent discontent across the country.

Although the share of total housing stock owned by residents has grown from 58.2% in 2000 to 89.0% in 2015 (Rosstat 2016, p. 14; 2019, p. 14), earlier strategies of the central authorities to create a ‘middle class’, thinking in terms of calculative choice, through responsabilisation and privatisation, do not seem to have succeeded. Zavisca found that also young Russian adults believe that ‘secure housing should be a right, not a gamble’ (Zavisca 2012, p. 176). Homes tend to be considered a welfare right more than a commodity. Moreover, the introduction of new policy mechanisms aligned to these principles has led to a variety of new actors and agencies. However, the differentiation of actors into ‘purchasers’ and ‘providers’, clients and suppliers, has been difficult to establish.

The article analyses how the Russian regime handles the balancing act between cutting public expenditure and reducing administration (neoliberal measures), on the one hand, and sustaining the ‘social contract’ (socioeconomic output legitimacy) on the other. Moreover, it will highlight the tensions and unintended results of certain reform mechanisms and how the regime manages them.

The next section provides the background to Russian reforms in the area of housing and utilities, followed by an overview of the core mechanisms of these reforms and the authors’ methodology. We go on to discuss how the reforms have been received by the residents, focusing on three case studies of homeowners’ associations, property management companies and the major renovation (top-to-bottom repair) of apartment blocks, finishing with our conclusions.

Reform of the housing and utilities sector

Housing and communal utilities are regarded as welfare policies in Russia and represent 3% of GDP and the annual turnover of this sector was around R4,000 billion (€55,040,900,000) in the period covered in this article, and one half of it is drawn from payments by residents (Sivaev 2018). Housing and utilities constitute between 25% and 30% of total household expenses.¹ However, between 2006 and 2017, public expenditure on housing and utilities as a percentage of the total budget decreased from 7.5% to 3.7% (Holm-Hansen *et al.* 2019).

¹‘Rynok platnykh uslug naseleniyu’, *Byulleten’ sotsial’no-ekonomicheskogo krizisa v Rossii*, Analiticheskii tsentr pri pravitel’sve Rossiiskoi Federatsii, No. 15, 2016.

Most housing stock in Russia is pre-fabricated, pre-stressed concrete, high-density housing estates, abbreviated as MKD (*mnogokvartirnyi dom*, ‘multi-apartment buildings’). The ZhKKh sector is divided into housing services (*zhilishchnye uslugi*) providing management and operation of MKDs and utility services (*kommunal’nye uslugi*) providing heat, gas, electricity and water. What used to be the Ministry of Construction, Housing and Utilities was made a federal agency in 2013 under the Ministry of Regional Development.

Core elements of the reforms

Housing reforms started in the late 1980s. A programme to privatise housing was initiated as early as 1988 (Attwood 2012) and, since the adoption of the law on the privatisation of housing stock in 1991, Russia has one of the highest percentages of private homeowners in Europe. The percentage of housing stock owned by individuals rose from 26.4% in 1990 to 58.2% in 2000 and 89% by 2018 (Kosareva & Polidi 2021) whereas the average for the EU by 2020 was 70%.² In Russia, legally registered residents of a flat were simply given property rights by the municipality. Lux and Sunega (2014) call the post-1991 giveaway privatisation ‘a one-time economic subsidy to sitting tenants of flats’, who became debt-free homeowners.

Having enjoyed strong tenancy rights, as soon as they obtained a flat, residents assumed a rights-based approach not only to housing but also to highly subsidised heating, electricity, water supply, wastewater and sewage, and maintenance. The combined rent and utility payment used to be 2.5% of residents’ income in the late Soviet period (Plotnikova 2009, p. 195). Today, the percentage is an average of 12%, which is on a par with the EU average at 11% (Sivaev 2018). Although this rise in payments has been thematised as a political issue where homeowners are portrayed as victims (Prisiazhniuk & Holm-Hansen 2019) residents still pay: the percentage of residents defaulting housing and utilities charges fell from around 7% to below 5% between 2010 and 2018 (Maleva 2018).

Lux and Sunega (2014) claim that ‘the key principle of socialist housing policy was to allot flats for free “according to people’s needs”’, need defined as the right to occupy a specified amount of housing space, what Collier (2011, pp. 8, 164) terms the ‘rationality of need fulfilment’ as opposed to the logic of ‘allocating scarce means’. The most recent reforms aimed at the latter, to ‘create market conditions in the sector, reduce the administrative presence, create competition to increase the quality of services and their prices’, according to the Federal Programme for Reform and Modernisation of Housing and Utilities for the Period 2010–2020 (*Kompleksnaya programma modernizatsii i reformirovaniya zhilishchno-kommunal’nogo na 2010–2020 gody*).³ The programme listed objectives and indicators on a general level without specifying concrete measures to relieve the state budget from the burden of providing housing and utilities services.

²‘House or Flat—Owning or Renting’, Eurostat, available at: <https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-1a.html>, accessed 27 April 2022.

³Rasporyazhenie ot 02.02.2010 №102, available at: <https://docs.cntd.ru/document/902197348>, accessed 29 April 2022.

Methodology

The article is based upon, first, a literature review of international as well as Russian publications, including scholarly literature and reports from applied research; second, Russian policy documents at federal, regional and local levels of government; third, an analysis of mass media coverage of the housing policies; and last, 16 in-depth, semi-structured interviews. These were conducted with the chairpersons of homeowners' associations, management companies, one journalist, scholars and experts, social activists, one head of a consultancy centre, and one representative of a centre for public control in the field of housing and utilities (see the list of interviews in the Appendix). Interviews were recorded and transcribed. The research was conducted in Moscow, Saratov and a smaller town in the Saratov region in the Volga district between April 2014 and February 2017.

The article focuses on case studies of three elements of the overall housing reform, selected to include core neoliberal mechanisms: property management companies (privatisation and commercialisation); homeowners' associations (responsibilisation); and the programme for top-to-bottom repair (in conflict with commercialisation and responsibilisation).

Significance of dissatisfaction with housing reforms

Semi-authoritarian vulnerability to dissatisfaction with welfare reforms

In addition to the neoliberal measures to relieve the state of budgetary and administrative burdens, current policies in the field of housing have the explicit aim of fostering political stability. Vladimir Putin and Dmitrii Medvedev have both stressed the importance of homeownership as a tool in creating a calculating and socially stabilising 'middle class' (Attwood 2012), and rightly so, because the 'middle class' seemed to be more supportive of the Putin regime, at least up to the mid-2015s (Gontmakher & Ross 2015; Švec 2019). The Rosgosstrakh state insurance company defines 'middle class' as households that can afford to buy their own apartment (Remington 2011). As noted by Kosareva and Polidi (2021), housing affordability in Russia is rising. The 2006 national priority project 'Affordable and Comfortable Housing' (renewed in 2018 as 'Housing and Urban Environment') aimed to increase home purchase affordability through the development of mortgage finance. As noted by Khmel'nitskaya (2014) mortgages are expensive for the average Russian consumer and policy initiatives since the late 1990s have been based on covered bonds or specialised mortgage banks or building societies. These solutions, however, undermine the capacity of the state to control the financial flows of Russia's large state-controlled banks.

However, contrary to the expectations that housing policies would create a cadre of pragmatic middle-class 'stakeholders' looking after themselves within a market system, housing and utilities has developed into a policy area where people direct their claims collectively to the authorities. As the head of a property management company in Saratov said in interview, 'instead of concentrating on what they include in the contracts, the flat owners write a complaint to the mayor. This is consumer paternalism, parasitism!'.⁴

⁴Interview #1, head of property management company, Saratov, 28 April 2014.

The propensity of most Russian homeowners to protest rather than remaining comfortable within the logic of a market system in which they are customers can be explained by the fact that they already own their flats, thanks to the early 1990s ‘giveaway’ privatisation. In one of our interviews, a neoliberally minded housing expert made a distinction between the mainly younger homeowners who had entered the housing market recently and had to buy, and the older generation. Referring to newcomers, he commented: ‘Their flats were not handed down to them from above. They acquired their properties through sweat and tears. Through their own effort they got money and then a flat. ... They are already responsible owners’.⁵

The vulnerability to dissatisfaction in the population stems from Russia’s character as a hybrid regime, combining democratic and autocratic elements (Hale 2011), which makes the regime seek to avoid direct use of repressive measures. However, as argued by Petrov, Lipman and Hale the side effect of not letting freely elected representative organs play an independent role is that policymaking becomes a ‘guessing game as to how much the authorities can get away with doing or not doing before a social uprising ensues’ (Petrov *et al.* 2014, p. 13). Thus, authorities are attentive to public opinion and likely to back off confronted with protests against unpopular policies. Ermishina’s (2014) study of 12 cities in the Rostov *Oblast*’ shows a link between higher tariffs on utilities and weakening loyalty to the party of power, United Russia (*Edinaya Rossiya*). In cities with low voter turnout, tariffs were higher, and in the two cities governed by opposition parties at the time of her study (Novocherkassk and Taganrog), tariffs were lower.

As argued by Kulmala *et al.* (2014), Russia’s welfare policies are neither purely statist nor purely neoliberal. The state has expanded its role in some areas but reduced it in others. As shown by Sutela (2012, p. 164) and Cook *et al.* (2019) there is rivalry at the ministerial level between a social-solidaristic bloc and a liberal-financial bloc that differ as to how much they are willing to push neoliberal measures onto the population. Sectoral professionals tend to be welfarist in their inclinations. One representative of a consultancy centre in the field of housing and utilities complained that the entire housing and utilities sector had been trained on one and the same old-fashioned textbook, *Osnovy gorodskogo khozyaistva (The Basics of Urban Economy)* (Velikhov 1928).⁶ According to the interviewee, this textbook ‘ignores the laws of economy, instead basing itself on empirical laws, developed on the basis of observation of people’s practical activities’.⁷

Early postcommunist governments confronted potentially high costs for reforming the welfare systems. People were state-dependent, attached to the welfare system. Because this system had been handed down from above, people had no experience of fighting for their entitlement or defending the system, which was taken for granted (Collier 2011, p. 15). Organised stakeholders (social sector elites and welfare bureaucracies) that had never been accountable to their rank-and-file or to their societies favoured the

⁵Interview #12, head of NGO in the field of housing and utilities, Moscow, 27 February 2017.

⁶Interview #15, head of private consultancy firm in the field of housing and utilities issues, Moscow, 28 February 2017.

⁷Interview #15, head of private consultancy firm in the field of housing and utilities issues, Moscow, 28 February 2017.

maintenance of the existing welfare system (Cook 2013, p. 2). Under Putin's semi-authoritarian regime, the mediation process over how to restructure the welfare system has given priority access to elites and statist interests rather than to broader constituencies, although the latter were able to constrain attempts at cuts in some of the most tangible benefits (Cook 2013, p. 7). For instance, the 2018 pension reform was softened by lowering the proposed retirement age for women (Logvinenko 2020).

The social bloc benefits from the legacy of the 'social contract' between regime and population. Ora and Robertson (2015) show that approximately 20% of social protest, like strikes, marches and demonstrations, is related to material distribution. This goes both for protest organised by the Communist Party of the Russian Federation (*Kommunisticheskaya Partiya Rossiiskoi Federatsii*—KPRF) and non-system groups, defined by the authors as groups not registered as political parties.

Imbued patronalism plays a role. Greene (2018) argues that ordinary Russians often oppose reforms because reforms challenge the habitual system of operation within a weakly institutionalised state, a system that offers opportunities for manoeuvring based on personal position and advantage. People rely on highly localised and particularised solutions to the problems of daily life. Confronted with reforms, they react with what Greene terms 'aggressive immobilism' (Greene 2018, p. 335). People create their own arrangements and bulwarks to cope with uncertainties. In this light, even reforms aimed at reducing the grip of corruption and undue elite influence are seen as threats to personalised problem-solving mechanisms.

Housing protests

A wave of welfare protests occurred in 2005 against, among others, the new Housing Code and the acceleration of housing and utilities reforms (Kleman *et al.* 2010, p. 150). Since then, activist groups, spontaneous protests and individual lawsuits have opposed issues such as densification and in-fill construction in urban residential areas and parks, developer fraud, and urban renovation leading to demolition and eviction (Argenbright 2015; Greene 2015, pp. 145–66; Tykanova & Khokhlova 2020). Many street protests, meetings, petitions and local initiative groups are directed against direct implications of overall reform principles. Increasing tariffs are perceived as a result of marketisation. Residents are dissatisfied with the performance of the privatised property management companies and unwilling to share the responsibilities and costs for maintenance and repair of residential common property. The monetisation of benefits and housing reforms are interlinked as several categories of inhabitants had enjoyed exemptions from payment for rent, utilities and phone as part of their welfare entitlement (Cook 2007, p. 84).

In particular, two aspects of reform cause concern among residents. These are the debudgetising of spending by making users and beneficiaries pay directly, and the transfer of tasks that used to be public to the responsibility of commercial actors or people's self-organisations, including by homeowners' associations. These reforms collide with the core expectations among large segments of MKD residents, who view the provision of housing and utilities services more as a right than a set of commodities. From this point of view, services are to be delivered rather than bought or organised by an individual as a consumer.

Much of the discontent with housing and utilities reforms consists of spontaneous outbursts of protest but does not lead to more permanent organising from below. Kleman *et al.* (2010, p. 135) argue that these housing-related protests are a constellation of a range of ordinary initiatives rather than a movement.

Case studies

Property management companies

The problem to be solved. The sweeping privatisation of flats in the early 1990s was not paralleled by reform of utilities services and maintenance of MKDs. Throughout the 1990s these services remained in the public sector, more specifically, in the hands of local self-government. They operated without market mechanisms and constituted between 20% and 37% of total municipal expenses, according to a 2003 World Bank report (Borisova *et al.* 2014). As a result, in the 2000s the housing and utilities sector was the largest sector of the economy operating along non-market principles (Collier 2011, p. 230). The weak or almost non-existing market for maintenance, repair and management services in the housing sector was, among others, noted in the 2004 UNECE Report on Russia (2004, p. 85).

Reform mechanisms. In order to create a market for housing and utilities services the 2005 Housing Code introduced the institutions of buyers ('responsibilised' residents) and providers (privatised property management companies).⁸ Accordingly, financial and administrative responsibilities for housing stock were transferred from the municipalities to the residents. The residents became responsible for the upkeep of residential common property, such as water pipes, refuse chutes, outdoor areas, entranceways, lifts, cellars and attics. These are the so-called 'general house needs' (*obshchedomovye nuzhdy*).

The homeowners' responsibility for the management and operation of MKDs can be exercised in three ways. If residents have established a homeowners' association (as discussed below), they can entrust the association with the task. Alternatively, residents may band together and manage their building directly. This option mainly applies to small MKDs. Finally, residents can entrust the task to a property management company. In this case, the responsibility of meeting building regulations lies with the property management company. The choice of model is made by a general assembly (*obshchee sobranie*) of all residents in the MKD. In the market system envisaged by the Housing Code, this general assembly constitutes the 'customer'. A quorum (50% of the residents) has to be reached in order for decisions to be valid.

In the early 1990s the municipalities delegated the responsibility for management and operation of MKDs to the ZhEK (*zhilishchno-ekspluatatsionnyi kontor*, housing use office)—a housing operation office for repair and maintenance, renamed DEZ (*direktsiya edinogo zakazchika*, joint purchaser office) in 1996. The 2005 Housing Code introduced

⁸Federal'nyi zakon ot 29 dekabrya 2004 g. №188-FZ 'Zhilishchnyi kodeks Rossiiskoi Federatsii', available at: <https://rg.ru/2005/01/12/zhikischnyi-kodeks-doc.html>, accessed 27 April 2022.

property management companies to pave the way for a market for management, operation and upkeep of multi-family houses. This included technical and engineering work, technical overhaul, rent collection and signing contracts with energy supply companies. This last task draws a clear line between property management companies (*zhilishchniki*) and energy supply companies (*kommunal'shchiki*). The latter are registered as state- (municipality) run companies (*gosudarstvennye kazennye uchrezhdeniya*) while property management firms are registered as budgetary (*byudzhetye*), in line with the 2010 Federal Law on the Legal Status of State and Municipal Institutions.⁹ The former category of companies forms part of the municipal budget, and net income must be ploughed back into the budget. Companies in the latter category receive subsidies from the budget for specified tasks and may keep the surplus for their own use. Both are formally non-commercial organisations (Iakovlev 2018).

The establishment of property management companies forms part of a marketisation strategy aiming to unburden the municipal administration and budgets and to create competition. As such, they are part of a much wider strategy of semi-privatisation of state and municipal institutions. According to the State *Duma* Committee on Housing and Utilities there are 21,018 property management companies in Russia.¹⁰ So far, however, a competitive market for property management is yet to emerge. Property management companies are usually set up by former leaders (*chinovniki*) of relevant local government departments. Although many small private companies were set up from scratch, most are former ZhEKi. The largest tend to be previous ZhEKi that simply changed their legal status to that of a shareholding company (OOO, OAO, ZAO) and simply 'inherited' the managed buildings, supervisory control centres (*dispecherskie punkty*), depots (*tekhnicheskie bazy*) and equipment from their previous incarnation. Often, they did not even change names and simply became, for example, OOO 'ZhEK', OOO 'Department ZhEK' although they are no longer formally part of the municipal administration. Colloquially, property management companies are called 'ZhEK'.

Reactions and mitigation. Making property management companies function as envisaged in the Housing Code has proved difficult because some of the preconditions for them to work are absent. Firstly, their clients do not live up to expectations of 'being responsible'. Not enough residents attended resident assemblies (*obshchie sobraniya*) to achieve the quorum necessary to select a management company. Moreover, resident assemblies and homeowners' associations may be 'captured' by the property management companies or even set up by them in manipulated resident meetings (Greene 2018). In many cities, the companies are, in practice, still monopolies, and homeowners fear higher prices and fraud (Plotnikova 2009, p. 203).

The lack of transparency in the way the property management companies were privatised, on the basis of the municipal housing operation offices (ZhEKi), and how they relate to local

⁹Federal'nyi zakon ot 27 iyulya 2010 g. №201-FZ 'Ob organizatsii predostavleniya gosudarstvennykh i munitsipal'nykh uslug', 27 June 2010, available at: <https://rg.ru/2010/07/30/gosusl-dok.html>, accessed 27 April 2022.

¹⁰O deyatelnosti komiteta, Informatsionnyi byulleten' (po sostoyaniyu na 31 dekabrya 2018 goda)', Komitet po zhilishchnoi politike i zhilishchno-kommunal'nomu khozyaistvu, 2018.

authorities has led to low trust among residents and accusations of crony privatisation and a subsequent lack of transparency in how they operate. As one head of a newly established property management company, who was not affiliated with a former housing operation office (ZhEK), said in interview, ‘the big players divide districts between themselves and competition is mainly between small companies’.¹¹ Thus, instead of having the opportunity to choose between a variety of property management companies, in line with the principles established in the Housing Code, residents in most places are bound to one local provider of housing services. Several cases of undue intermingling with local authorities by ‘in-house’ property management companies, in violation with the law on protection of competition, have been disclosed by the anti-monopoly services, among others in several Moscow city districts.¹²

Even when there is the possibility of choosing another company, for example one based in a neighbouring municipality, local authorities will take action to protect their position. According to our interviewees, these include checks of general assembly records for formal flaws, or the energy provider may be induced to claim they have a contract with the former property management company and that this contract is still valid, or the MKD’s compliance with fire or housing regulations may be queried.¹³ For residents, then, making use of consumer power through the market mechanism is hardly an option. Instead, residents complain to the local authorities and demanded an investigation. They ‘write a letter to the mayor and he sends either a team or a commission’, as one housing expert told us.¹⁴ As well as arranging utilities directly with an energy company, the property company also takes on the responsibility of checking the meter, also when the property management company does not buy services from the utilities provider. One housing and utilities expert characterised the fact that the property management company had to take on the unpaid task of checking the meters as a costly ‘non-market relation’ that reduces the company’s capacity to fulfil its tasks.¹⁵

The head of one property management company was of the opinion that the Ministry of Construction, Housing and Utilities is vulnerable to lobbying from utility providers who would like a larger market share in servicing multi-apartment buildings at the cost of property management companies.¹⁶ However, in 2018 an amendment to the Housing Code allowed resident general assemblies to enter into contracts directly with the energy providers without the property management company as a go-between in response to heated criticism from residents all over Russia about the relationship between ZhEKi and energy providers. However, this reform led to new problems resulting from the division of responsibilities between the property management companies (the material structure,

¹¹Interview #1, head of property management company, Saratov, 28 April 2014.

¹²Interview #14, scholar in the field of housing and utilities, Moscow, 14 April 2015. See for instance, ‘Uprava Basmannogo raiona Moskvy poluchila preduprezhdenie FAS za neprovedenie konkursa’, *Riamo*, 17 August 2017, available at: <https://riamo.ru/article/231128/uprava-basmannogo-raiona-moskvy-poluchila-preduprezhdenie-fas-za-neprovedenie-konkursa-xl>, accessed 28 April 2022.

¹³Interview #5, Head of homeowners’ association, Moscow, 13 April 2015. Interview #7, scholar in the field of housing and utilities, Moscow, 27 February 2017.

¹⁴Interview #14, leading scholar in the field of housing and utilities, Moscow, 14 April 2015.

¹⁵Interview #14, leading scholar in the field of housing and utilities, Moscow, 14 April 2015.

¹⁶Interview #1, head of property management company, Saratov, 28 April 2014.

external and internal, of the buildings) and the energy providers (pipes and cables). Since the energy providers' primary interest is in selling resources, conservation measures are deprioritised. Property management companies have an incentive to reduce energy consumption to minimise trouble with collecting debts.¹⁷ After entering into direct agreements with energy companies, residents have found themselves in situations in which both property managers and energy providers blame each other for any problems and refuse to take responsibility.¹⁸ Moreover, the stronger institutional and economic position of energy providers compared to property management companies, makes it harder for residents' assemblies to stand up to them.

The managing companies are distrusted by residents, and the authorities have introduced several measures to mitigate the above-mentioned flaws in how the property management companies operate. Frequent amendments to the Housing Code since 2005 have given the municipal and regional administration, and notably the State Housing Inspection (*Gosudarstvennaya Zhilishchnaya Inspeksiya*), more tools to monitor and control property management companies' behaviour (Borisov *et al.* 2018; Izbienova & Shirshov 2018).

As a measure to improve the performance of property management companies, state licensing—*goslitsenzirovaniye*—was introduced in a 2014 amendment of the Housing Code,¹⁹ requesting directors of property management companies to pass a qualifying exam. Since May 2015, it has been illegal for property management companies to operate without a licence, which are usually bestowed by the State Housing Inspection in the federation subject where the management company operates and are only valid there. According to the 2014 amendment to the Housing Code, a company will lose its licence if it breaks the rules twice and the violations have been affirmed by the court. One housing scholar told us that licences were introduced because 'the authorities had to show that they were doing something to introduce order'. The results had been detrimental, he said, claiming that licence applications were refused for 'absolutely made-up reasons', such as the lack of a letterhead.²⁰ A representative of a housing NGO told how he feared that state licensing would have the unintended effect of becoming just another way for local authorities to curb market mechanisms by redistributing access to the market to the benefit of 'suitable organisations'. There were also fears that state licensing would open up fresh opportunities for corruption, according to some of the interviewees.²¹

According to the Housing Code, a system of fixed tariffs sets limits to how much a management company can charge residents for the maintenance of MKDs. The tariffs are set by the federation subjects. This keeps costs down for residents but interferes with the

¹⁷Interview #15, head of private consultancy firm in the field of housing and utilities issues, Moscow, 28 February 2017.

¹⁸Interview #15, head of private consultancy firm in the field of housing and utilities issues, Moscow, 28 February 2017.

¹⁹Federal Law N55, On Amendments to the Housing Code, 21 July 2014, available at: <https://raschetgkh.ru/dokumenty/federalnye-zakony/180-fz-255-ot-21-07-2014.html>, accessed 29 April 2022.

²⁰Interview #14, leading scholar in the field of housing and utilities, Moscow, 14 April 2015.

²¹Interview #4, local politician, Saratov, 29 April 2014; interview #5, head of homeowners' association, Moscow, 13 April 2015; interview #9, scholar, housing specialist, small town in Saratov region, 20 April 2015; interview #12, head of NGO in the field of housing and utilities, Moscow, 27 February 2017.

marketisation envisaged in the overall reform. For management companies serving old multi-apartment buildings, fixed tariffs create problems as costs for repair in these types of buildings are often higher than the tariffs set by the authorities.²² Fixed tariffs always differ from the actual costs, thus discouraging private investment in property management companies, one interviewee said.²³

In 2015, an amendment to the Housing Code required property management companies to pay fines to residents if they delivered substandard services or made mistakes with the bills. Leaders of homeowners' associations often complain about low quality services and falsified receipts from the property management companies have been recurrent complaints.²⁴

Bylaw No. 731, passed in 2010, aimed to increase transparency.²⁵ Property management companies were required to present an annual overview of payments for each house to clarify how the management fees are used. To further increase transparency—as laid out in the Ministry of Construction, Housing and Utilities Decree No. 882 (2014)—homeowner associations, housing cooperatives and property management companies are obliged to provide detailed information about their activities, including the minutes from resident meetings, data on jobs completed with costs and time, and information on municipal services and costs. This information would equip residents to choose or even change a property management company on the basis of performance. In addition, this information is used by the Federal Anti-Monopoly Agency. It must be accessible electronically and physically on notice boards in the entrances of each building. If the property management company fails to provide clear information, the State Housing Inspection will be involved, and in serious cases, the prosecuting authorities as well.

Summing up. Since the majority of Russia's housing estates are too big for residents to undertake all tasks related to property management, most of them hire assistance. In line with the Housing Code, this would ideally be by inviting tenders from property management companies. However, establishing a market for housing and utilities services has proved to be difficult. The differentiation of actors into clients and suppliers is so far incomplete and for deep-seated reasons. Making residents responsible buyers of services is difficult for practical reasons, such as establishing a quorum at MKD general meetings, and also because of residents' ingrained habits and expectations of being entitled to services as a public good. Moreover, the case of property management companies clearly illustrates the obstacles to differentiation between political power holders, in our case, at the local level, and private companies. This differentiation is incomplete. Contrary to the overall objective of establishing a market, municipal authorities operate with 'their' companies and ensure they get the contracts. In residents' eyes, this is rent capture and the exploitation of political power

²²Interview #14, leading scholar in the field of housing and utilities, Moscow, 14 April 2015.

²³Interview #15, head of private consultancy firm in the field of housing and utilities issues, Moscow, 28 February 2017.

²⁴Interview #9, scholar and housing specialist, small town in Saratov region, 20 April 2015.

²⁵Postanovlenie Pravitel'stva RF ot 23.09.2010, available at: <https://base.garant.ru/12179104/>, accessed 28 April 2022.

for personal enrichment. Pre-existing distrust among residents is exacerbated by the lack of transparency in how the companies operate, notably their relations with local authorities. The lack of trust in the licensing process for property management companies illustrates this. The response of federal authorities to these problems has been to introduce various control and monitoring mechanisms.

Homeowners' associations

The problem to be solved. Residents in multi-apartment buildings have been responsible for the management of residential common property since the privatisation of housing in the early 1990s but in most cases entranceways, lifts, water pipes, refuse chutes and outdoor areas have been neglected because it has proven difficult to overcome the problem of free-riding (Vihavainen 2009, pp. 86, 176). The 2005 Housing Code established homeowner joint ownership of common property, and as a consequence, joint responsibility of management. Homeowners' associations (*Tovarishchestva Sobstvennikov Zhil'ya*—TSZh) were conceived as a way to make residents not only self-managing but also to make them into customers who would buy services through the market. They would solve the problem of poorly institutionalised self-organisation and low capacity to make calculative choices.

Reform mechanisms. While TSZhs are not based on one specific foreign model (Vihavainen 2009, p. 87), their introduction in Russia in 2005 was in line with 'global trends' of transferring common-pool resources and local public goods to communities of users (Mansuri & Rao 2004). In this way of thinking, those directly affected are expected to be more efficient in managing a given property (resolving the agency problem) than a public body. In its recommendation for 'countries in transition' the UN Economic Commission for Europe stated that homeowners' associations should have a general assembly, an executive board, a manager/administrator (full-time worker) who organises meetings and a property management company separate from the homeowners' association (UNECE 2003).

The TSZh policy is a core example of several reform mechanisms. Through the TSZh responsibilities are being transferred to people's self-organisation, management is 'decentralised' and residents are activated in making decisions and developing a community feeling. These are mechanisms to develop responsible behaviour—'responsibilisation'—and a capacity to make economically rational choices between private suppliers of goods and services, 'marketisation'.

A similar institution to the TSZh, called housing-renting cooperative associations (*zhilishchno-arendnye kooperativnye tovarishchestva*), had been established in 1924 to make the management of residential buildings more effective but were abolished in 1937 (Pushkina 2017). After the post-Soviet housing privatisation, TSZhs were introduced in the 1996 law on homeowners' associations²⁶ and later regulated in Article 135 of the

²⁶Zakon o tovarishchestvakh sobstvennikov zhil'ya №72-FZ ot 15.06.1995, available at: http://www.consultant.ru/document/cons_doc_LAW_10741/, accessed 2 June 2022.

2005 Housing Code. Article 135 emphasises the principle of voluntary establishment of TSZhS and also voluntary membership for residents who live in MKDs where TSZhS have been established.²⁷

Article 135 of the 2005 Housing Code establishes that joint homeownership is exercised through homeowner general assemblies for all residents in a given apartment building. Therefore, even if the general meeting decides to set up a TSZh, it is still the residents' general assembly that makes the overall decisions. The TSZh's task, according to the Housing Code, is to select the property management company and monitor its performance. Alternatively, the association may take on the housing services itself by hiring the needed personnel on an *ad hoc* basis. The TSZh must arrange three meetings a year, two for the members and one for all owners. The meeting elects the executive committee of the association and an audit committee.

Unlike the practice in most other countries, the Russian model does not make membership compulsory for all residents in an apartment block. In other words, the residents of Russian MKDs have the right but no obligation to be a member of a TSZh. Usually, in other countries, membership in homeowners' associations is mandatory but also less demanding in terms of active membership participation (Vihavainen 2009, pp. 88, 101). This makes Russian TSZhS potentially a more active part of civil society than their Western counterparts.

Reactions and mitigation. Despite being very much in line with overall strategies for housing reform ('responsibilisation' and 'marketisation'), the TSZh as an institution has not been established on a large scale. In 2019 they had been established in 11% of all MKDs, whereas its share in 2015 was 14% as compared to 21% in 2010. In 2010, TSZhS covered 424.5 million square metres of residential housing, which gradually decreased to 256.7 million square metres by 2019.²⁸

The establishment of homeowners' associations has been hindered by several factors. Four major obstacles will be discussed here. First, TSZhS were introduced in a rush and mainly from above. Their establishment was supported by municipal administrations after the 2005 Housing Code was passed but in combination with interference into their affairs. One respondent, the head of a TSZh, criticised the speed with which TSZhS were established 'from above' after 2005, calling the process 'senseless TSZh-ification': 'They started to churn them out like scones' (*lepit' ikh kak lepushki*).²⁹ According to the same TSZh chairperson, they were established in the 'command-administrative way' after pressure from the agencies for engineering services in the city districts, city district administrations (*uprava*) and city *okrug* administrations (*prefektura*). According to the chairman interviewed, many of the homeowner associations set up after 1996 were 'fake TSZhS', widely suspected of having been set up to secure contracts favourable for property management companies seeking a monopoly in collaboration with municipal

²⁷*Monitoring situatsii v sfere upravleniya mnogokvartirnimi domami* (Moscow, Institut Ekonomiki Goroda, 2020, p. 30).

²⁸*Monitoring situatsii v sfere upravleniya mnogokvartirnimi domami* (Moscow, Institut Ekonomiki Goroda, 2020, pp. 6, 32).

²⁹Interview #5, head of homeowners' association, Moscow, 13 April 2015.

authorities. Also, the fact that TSZhs are entitled to take over ownership of land surrounding a building is another potential reason why municipal administrations may want to control TSZhs, since such plots of land are often of interest to developers and had not been transferred to the residents when the flats were privatised (Greene 2018).

There are, however, examples of TSZhs that were established from below as a result of the residents' perceived need for self-organisation. A TSZh referred to in this article was set up following a poor top-to-bottom repair carried out by the city on the MKD in 2007. According to the TSZh chairperson, residents were 'in shock over what happened'. As the repair was poor, this 'gave the impetus to self-organising' in a TSZh. 'We had to get to know each other.'³⁰

Second, inconsistent legislation has caused insurmountable practical obstacles. Many problems encountered by TSZhs are mainly practical and are due to blatantly impractical provisions in housing legislation. As noted by Stephens *et al.* (2015) during the housing reforms in former state socialist states in the early 1990s, 'the new political elite systematically lacked knowledge about different policy options. Therefore, decisions were—at least in the first decade—often taken without any deeper analysis of the situation'. Poor analysis of potential obstacles is still a problem. One example of this is the requirement to reach a quorum at resident meetings, which applies to all MKDs irrespective of organisational model as the resident meeting is the core decision-making arena for all of them. It is a requirement that more than 50% of the units in the building or complex of buildings takes part in voting. In comparison, only 20% of voters have to participate in municipal elections to make them valid. In order to overcome these organisational problems, a leading politician on housing issues, Galina Khovanskaia, presented a bill to the State *Duma* in June 2020, to allow TSZhs with more than 50 members to arrange meetings with representatives of members instead of direct representation at resident meetings.³¹

The Housing Code requires that decisions are made by a physically present quorum (*ochnaya forma*). For practical reasons this is difficult to arrange. One TSZh interviewed had 289 flats,³² another had 1,300 residents,³³ in both cases, finding a large enough venue for meetings was very difficult. One respondent noted that a club room for elderly residents was being used for TSZh member meetings and meetings for all residents.³⁴ Sixty people could be squeezed in but at most 30 people appeared for such events. Thirty participants out of 1,300 shows very low engagement.

In practice, the TSZhs circumvent the requirements of the Housing Code by inviting members and residents to participate by voting *in absentia* (*zaochnaya forma*)—a procedure allowed only if there has not been a quorum in the physical meeting. As one TSZh chairperson put it:

³⁰Interview #5, head of homeowners' association, Moscow, 13 April 2015.

³¹See, 'Konferentsii mogut stat' al'ternativoi obshchim sobranyam v krupnykh TSZh', *Parlamentskaya Gazeta*, 16 September 2020, available at: <https://www.pnp.ru/social/konferencii-mogut-stat-alternativoy-obshhim-sobranyam-v-krupnykh-tszh.html>, accessed 28 April 2022.

³²Interview #3, head of homeowners' association, Saratov, 29 April 2014.

³³Interview #5, head of homeowners' association, Moscow, 13 April 2015.

³⁴Interview #5, head of homeowners' association, Moscow, 13 April 2015.

I run the TSZh against the law, applying postal voting. I hand out voting slips. In Russia an opinion has developed that voting means fraud. That is not so. We have a site. All the decisions from annual meetings that have been held to approve the TSZh budget are placed there, and the residents see who voted and how. This information is not by name but by apartment number. No one complains.³⁵

Another major legal obstacle to the establishment of TSZhs is that they cannot take out loans because they do not have collateral. This is because the residents' assembly—the only body that can make agreements on behalf of the MKD, regardless of whether it has a TSZh or not—is not legally responsible for the decisions it makes. If the TSZh is liquidated the bank loses the money. The TSZh is not liable for its members and its members are not liable for the TSZh.

Third, it has proved difficult to popularise the idea that residents should take on responsibilities for management and maintenance. The TSZhs struggle with several of their intended functions due to deep-seated problems. Intransigence and responsibility aversion among residents—their 'mentality'—is one factor often referred to in interviews as an explanation as to why it has proved to be difficult to get residents involved in making decisions and developing a community feeling that leads to responsible behaviour.³⁶ As one scholar put it: 'As an expert I can say that 70–80% of all homeowners are passive'.³⁷ Borisova *et al.* (2014) argue that the success of TSZhs in resolving the agency problem is contingent on the 'civic competence' of its members, that is, their ability to exercise their collective property rights.

The level of homeowner participation in residents' assemblies and TSZhs is low. In a study of local communities and civic activism in Russia, Petukhov (2014) found that 26% of respondents had taken part in meetings at the MKD level, while 38% had not but would be willing to do so and 26% would not take part in such meetings at all. In comparison, the figures for taking part in voluntary work (*subbotniki*) in the outdoor areas between the buildings were 49%, 33% and 18%, respectively.

One scholar in the field of housing argued that there is a need for 'housing enlightenment' to improve 'housing literacy'. As an example of the authorities' failed communication strategies, she said that the minister of housing had once told her, 'homeowners should know how the system works by now as my speeches have been published in the major newspapers'.³⁸

Homeowners are unwilling to take on responsibilities. One discouraged TSZh chairperson summed up the general attitude among residents: 'Inside the apartment, the citizen operates on his own, outside the apartment it's the government's responsibility'.³⁹ An activist fighting increasing housing expenses termed the TSZh 'a voluntary *kolkhoz*'

³⁵Interview #3, head of homeowners' association, Saratov, 29 April 2014.

³⁶Interview #1, head of property management company, Saratov, 28 April 2014; interview #7, scholar in the field of housing and utilities, Moscow, 27 February 2017; interview #8, head of homeowners' association, small town in Saratov region, 20 April 2015; interview #9, scholar and housing specialist, small town in Saratov region, 20 April 2015; interview #12, head of NGO in the field of housing and utilities, Moscow, 27 February 2017.

³⁷Interview #14, leading scholar in the field of housing and utilities, Moscow, 14 April 2015.

³⁸Interview #7, scholar in the field of housing and utilities, Moscow, 27 February 2017.

³⁹Interview #5, head of homeowners' association, Moscow, 13 April 2015.

and preferred tasks to be trusted to the property management companies, as professionals in the field.⁴⁰ TSZh chairpersons may also experience mistrust from residents believing they take on the responsibilities to feather their own nests.⁴¹

Fourth, the institutional differentiation needed to underpin the neoliberal reform mechanisms has turned out to be slow. The TSZh is situated between residents and authorities as a kind of buffer, as one TSZh chairperson explained in an interview.⁴² This makes it kind of micro-local self-government for MKDs that choose to have it, although not formally, as self-government at neighbourhood level is reserved for the territorial-societal self-government (*territorial'noe obshchestvennoe samoupravlenie*).

The difficulties in establishing TSZhs on a large scale are linked to interests contrary to the reform scheme. For instance, the local authorities' actions against the TSZh may be seen as a reflection of their wish to see residents as customers of affiliated property management companies, that is, on a monopolised market, rather than as 'responsible citizens'. One of the methods applied by local authorities, according to one TSZh chairperson is to monitor homeowners' associations more strictly than property management companies.⁴³

The assumption that residents would band together and run resident meetings and TSZhs as 'responsible citizens' has turned out to be optimistic. As noted by Kalinina (2020), 'initiative, activity and professionalism' are rarely found among homeowners in MKDs. Therefore, authorities have introduced procedures that shift some decision-making responsibility to bodies external to residents' self-government (Sivaev 2018). For instance, municipal authorities carry out the selection of property management companies through open competitions, fix the rates for maintenance of houses and, as outlined below, establish funding procedures for top-to-bottom repairs. Regional authorities set the schedules for top-to-bottom repairs with sequence and procedure for performing construction works for the property management without regard to the resident meetings. In other words, the authorities take on tasks that originally were meant to be carried out by the residents through homeowners' associations and/or MKD general meetings.

Summing up. The introduction of homeowners' associations in Russia in line with UN recommendations seemed to be a solution to the problem of making residents responsible for common resources but, as the discussion above suggested, it has encountered a variety of problems leading to an overall decline in the share of apartments in TSZhs. There are several reasons why TSZhs have not put down roots. One is that, in most cases, they were created from above and are suspected by residents to act in the interests of the authorities. In other cases, TSZhs fail to be efficient representatives of the residents due to failed differentiation between actors and agencies inside the housing sector and the ensuing obstacles to marketisation and responsabilisation. When confronted with property management companies closely linked to local authorities, or energy providers with a strong lobby, TSZhs lose out

⁴⁰Interview #10, social activist, small town in Saratov region, 22 April 2015.

⁴¹Interview #8, head of homeowners' association, small town in Saratov region, 20 April 2015.

⁴²Interview #5, head of homeowners' association, Moscow, 13 April 2015.

⁴³Interview #8, head of homeowners' association, small town in Saratov region, 20 April 2015.

because they have no real power or recourse against ZhEKi linked to the local authorities and energy providers. To solve the immediate problems arising from low resident involvement in the management of common resources, the authorities have introduced alleviation measures that undermine responsabilisation.

Top-to-bottom repair

Problems to be solved. Before housing privatisation, rents had been negligible and did not cover costs of capital repair and maintenance. Due to widespread poverty throughout the 1990s, authorities had been unwilling to push the officially sanctioned policies that repair had become the responsibility of residents, but at the same time, they could not afford to finance repair from public budgets. As a result, the housing stock and utilities networks were allowed to deteriorate. In 2016 the Ministry of Construction, Housing and Utilities approved a plan to resettle residents of a total floor area of 2.5 million square metres, which accounted for a mere 50,000 flats.⁴⁴ In a survey of 803 local government representatives in 2017, no less than 84% mentioned ‘high deterioration of the housing and utilities infrastructure’ as a major problem for the socioeconomic development of their cities, while 66% named lack of public funds (Sivaeв 2018).

As Russia’s economy recovered in the first decade of the 2000s, the authorities made amendments to the Housing Code in 2012 and launched a comprehensive federal programme, both aiming to stimulate top-to-bottom repair—*kapital’nyi remont (kapremont)*—of common property in MKDs.⁴⁵

Reform mechanisms. The way the top-to-bottom repair strategy is conceived demonstrates the authorities’ strategy of using market mechanisms and attracting private investment to modernise the housing stock. It is also a core example of debudgetising.

Controversies have arisen over how to finance repairs. An amendment to the Housing Code in 2012 made residents responsible for upkeep, including top-to-bottom repairs (Malichenko 2021). Pursuant to the Housing Code’s Article 169, the costs are to be covered by the residents themselves, according to rates set by the regional authorities. Fees are calculated on the basis of each flat’s number of square metres and included in the monthly bill for housing and utilities.

There are two ways an MKD can contribute to the funding of top-to-bottom repair—either by taking part in a regional funding scheme or setting up a special account to finance the repair of the individual MKD. (The special account model did not form part of the first draft of the Housing Code but was included in the second reading and introduced in 2012.)

The regional funding scheme is run by a so-called ‘regional operator’ (*regional’nyi operator*). These are non-commercial funds, one in each of Russia’s federal subjects

⁴⁴Strategiya razvitiya: Zhilishchno-kommunal’naya i gorodskaya sreda. Natstion’lnyi prioritet razvitiya, available at: https://minstroyrf.gov.ru/upload/iblock/6cc/24.08.2018_Strategiya.pdf, accessed 4 May 2022.

⁴⁵Kompleksnaya programma modernizatsii i reformirovaniya zhilishchno-kommunal’nogo khozyaistva na 2010–2020 gody, adopted 2 February 2010, entered into force 1 August 2014.

(regions), and they implement programmes for top-to-bottom repair established by regional authorities (Malichenko 2021). The scheme requires residents to contribute financially to the regional fund—colloquially often referred to as the ‘common pot’ (*obshchii kotel*)—under the regional top-to-bottom programme. The regional programmes give priority to the MKDs most urgently in need of overhaul and, since 2017, they include short-term plans listing which specific MKDs to renovate over the next three years (Malichenko 2021). Pursuant to the Housing Code’s Article 182 contractors are to be selected by the regional operator. The selection procedures are outlined in a government decree from 2016.⁴⁶

The special account model requires that the residents arrange a general meeting with a quorum present. Before top-to-bottom repair is undertaken, the general assembly must be informed about the amount of funds available in the special account, and it must choose a contractor and decide on what works will be undertaken. Unlike the ‘common pot’ model, the special account creates a direct link between payment and benefits. Expert assessments indicate that a top-to-bottom repair increases a flat’s value by one-third on average (Mirgorodskaya & Sukhinin 2020). The special account model is conducive to self-organisation for more effective use of funds and self-financing, and also imposes ‘responsibilisation’ by making general meetings of MKD responsible for their own repairs. In addition, the special account model also aids marketisation by allowing general meetings to have a choice of contractors.

Reactions and mitigation. Having to pay for top-to-bottom repair goes contrary to many residents’ expectations. According to paragraph 16 of the law on the privatisation of housing (1991, amended 2012), the top-to-bottom repairs of MKDs that were due for repair at the time of privatisation were still the responsibility of the authorities.⁴⁷ In the first reading of the 1991 housing privatisation law, flats were not to be privatised before the regular top-to-bottom repair had been carried out by the owners, that is, the authorities.⁴⁸

Regarding top-to-bottom repair, popular grievance is directed against authorities who allegedly favour the ‘common pot’ model and prevent MKDs from choosing the special account model.⁴⁹ Formally, each MKD has to organise a membership meeting and decide how to proceed. MKDs have had problems organising meetings able to make legally binding decisions and therefore only 13% of MKDs had set up a special account by 2019 (Ermishina & Klimenko 2020).

If the MKD is unable to arrange a meeting or reach the quorum needed, the Constitutional Court ruled in 2016 that the authorities would automatically include the building in the regional programme.⁵⁰

⁴⁶Postanovlenie Pravitel’sstva RF ot 01.07.2016 g. №615, available at: <https://base.garant.ru/71435834/>, accessed 6 May 2022.

⁴⁷According to the law, such top-to-bottom repairs are supposed to take place every 25 years.

⁴⁸Zakon RF o privatizatsii zhilishchnogo fonda ot 23.12.1992 №4199-I, Art 16, available at: <http://pravo.gov.ru/proxy/ips/?docbody=&nd=102011971>, accessed 5 May 2022.

⁴⁹Interview #14, leading scholar in the field of housing and utilities, Moscow, 14 April 2015.

⁵⁰Konstitutsionnyi Sud RF—Postanovlenie ot 12.04.2016 g., №10-P, available at: http://www.consultant.ru/document/cons_doc_LAW_196679/, accessed 29 April 2022.

Many residents are unwilling to pay fees that end up in a ‘common pot’ to fund a programme in which their own MKD may be far down on a priority list set by regional authorities. The regional programmes list MKDs and the year they are due to be repaired. Residents risk paying into the common pot for 20 years or more before their MKD is due to be repaired. More importantly, there is an unwillingness to ‘pay for others’. In the view of one housing scholar, the common pot is ‘a kind of *kassa vzaimopomoshchi* [mutual insurance] when there is a lack of budget funds. It simply means financing some MKDs at the cost of others, which, of course is bad, non-transparent’.⁵¹ Non-transparency here refers to the lack of clear criteria for how MKDs are prioritised in the regional programme.

The common pot model is also criticised by professionals who fear it favours monopolies and curbs marketisation.⁵² The MKDs that have not opted for the special account model become the responsibility of the regional operator, of which there is only one in each federation subject. One housing expert argued that the authorities force a monopolist—the regional operator—upon the MKDs.⁵³ The regional operators are appointed by the governors and are non-commercial; they are accused of being *karmannye*, that is, ‘in the pocket’ of the authorities. An illustrating example of this was given in a news story by *Novaya Gazeta* when journalists were told by the spokesperson of Moscow city’s regional operator that they only talk to federation-wide newspapers through the regional ministry of housing and utilities.⁵⁴

Frequent resident complaints that MKD general meetings have been manipulated or misinformed to choose the common pot model led Moscow’s City *Duma* to amend a regional law. The amendment allows the residents to arrange an assembly anew and choose the ‘special account’ provided that information from local authorities has been poor or not given at all, and that this had led the residents to choose the common pot.⁵⁵ Most of the measures to mitigate the financial impact on residents are carried out at the local level by city authorities. One TSZh chairperson interviewed said that the Moscow city authorities introduced subsidies on housing fees, including fees for top-to-bottom repair, ‘to reduce social tension in the city’ but added that he would have liked not to be subsidised in order to be ‘able to spit on whomever we want’. For him, such a subsidy was ‘a thorn in the eye’.⁵⁶

Institutions have different opinions in the controversy over the two models of ‘common pot’ and regional funds. This division does not follow the usual cleavage between social and liberal blocs. In the case of top-to-bottom repair, institutions concerned with legal issues, such as the prosecuting authority (*Prokuratora*) and the Ombudsman for Human Rights are more inclined to see problems in the ‘common pot’ model, while executive branch

⁵¹Interview #14, leading scholar in the field of housing and utilities, Moscow, 14 April 2015.

⁵²Interview #15, head of private consultancy firm in the field of housing and utilities issues, Moscow, 28 February 2017. See also, ‘Korrektirovka modeli’, available at: <https://stroygaz.ru/expert/zkh/korrektirovka-modeli/>, accessed 5 May 2022.

⁵³Interview #14, leading scholar in the field of housing and utilities, Moscow, 14 April 2015.

⁵⁴‘Polchishcha zhirnykh krysh’, *Novaya Gazeta*, 17 May 2021, available at: <https://novayagazeta.ru/articles/2021/05/14/kapitalno-tekushchii-biudzheth>, accessed 3 May 2022.

⁵⁵Zakon Moskovskoi Oblasti ot 20.03.2018 №77/2018-OZ, available at: <https://docs.cntd.ru/document/557583435>, accessed 3 May 2022.

⁵⁶Interview #5, head of homeowners’ association, Moscow, 13 April 2015.

institutions, such as the Ministry of Construction, Housing and Utilities and the consultative Civic Chamber (*Obshchestvennaya Palata*), are in favour of this model.⁵⁷

Summing up. In the case of top-to-bottom repair the authorities have made use of marketisation and commercialisation to attract private investment to modernise the housing stock. They have had less success with strategies aimed at responsabilisation. Responsibilisation, however, is turned to only partly. The two models—‘regional operator’ and ‘special account’—both involve financial contributions from the residents but only the latter includes more resident involvement in deciding upon the modalities of repair in their own MKD. Moreover, the regional operator model makes residents direct their complaints to the authorities and thus encourages ‘political behaviour’ to the detriment of ‘economic behaviour’ among residents. With the special account residents can, at least in theory, choose between contractors and hold them accountable through purchasing power and make use of market mechanisms to their own benefit as customers.

Interestingly, the authorities discourage responsabilisation by favouring the former model, where resident involvement amounts to the simple payment of a monthly fee to a regional programme. Moreover, market mechanisms are more actively engaged with the special account model where MKD themselves hire contractors instead of leaving this to a non-market regional operator. In short, the authorities choose not to make full use of two of the core mechanisms laid out in the 2005 housing and utilities reforms. The case of top-to-bottom repair shows that the authorities may deviate from core principles when needs dictate. In other words, the federal authorities have realised that marketisation and responsabilisation are not conducive to solving the problem of overdue top-to-bottom repairs because the MKDs most in need are left behind.

Dissatisfaction with the regional operator model is partly based on an unwillingness to contribute to a common pot among residents in MKDs that are at the bottom of waiting lists. Thus the rejection of responsabilisation among residents is context-bound: they seem to be ready for it if the immediate benefits are obvious. Another reason residents object to the regional operator model is their lack of trust in the authorities’ abilities to set up a top-to-bottom repair priority list along fair and transparent lines and not least their willingness to uphold fair competition between contractors. This may explain the somewhat astounding position taken by the ‘systemic’ leftist parties, which operate as part of the political establishment. Both the Communist Party of the Russian Federation and A Just Russia (*Spravedlivaya Rossiya*) are in favour of the special account model, which is based on responsabilisation, marketisation, namely, the core principles of the housing reform that these parties usually reject. Moreover, the model favours the residents in the least dilapidated MKDs, who are often those with the most resources, whereas the two leftist parties usually defend those who have lost out.

Conclusion

This article has analysed how reforms inspired by neoliberalism have been applied to the housing and utility services sector in Russia. The reforms have unfolded against a

⁵⁷Interview #7, scholar in the field of housing and utilities, Moscow, 27 February 2017.


backdrop of the regime's relative vulnerability to popular sentiments, on the one hand, and characteristics of the patronalist institutional framework on the other. Both residents and agencies have proved reluctant to play by the new rules introduced by the 2005 housing and utilities reform and subsequent legal amendments.


Not surprisingly, many aspects of the reforms have been rejected by residents, whose expectations of the social contract, which is still in place, do not encompass responsabilisation, marketisation or commercialisation. Housing is perceived as a welfare right. The fact that the flats have been personal property since the early 1990s has not paved the way for a general acceptance of a joint responsibility among residents for shared infrastructure and outdoor areas. Neither have reforms been successful in transferring the task of selecting property management companies and paying them to residents.

The widely held resistance to the reforms may be, and often is, explained by path-dependent expectations of how welfare should be delivered, but may also be explained by contemporary factors, notably the social contract that is one of the current regime's pillars of legitimation, given the limits of Russia's electoral authoritarianism. To have neoliberal reforms and the social contract in operation at the same time requires the central government to exercise balancing capacities that it does not have. The result is permanent bureaucratic infighting between a financial-liberal bloc, pushing for reform, and a social-welfarist bloc that has been successful in mitigating some of the original reform efforts, to the detriment of the overall reform efforts intended to reduce the budgetary and administrative burden on the state. The two sides cancel each other out for two reasons. Firstly, both debudgetising and social harmony are needed. Secondly, the patronalist system centred on the president led elites in both the above-mentioned blocs to seek stability, which would be jeopardised if one of the two sides became hegemonic. Therefore, the authorities have revised aspects of the reform in response to public pressure or discontent. The public debate on housing issues remains open.

Another obstacle to the implementation of the original reform principle is the failure of actors and agencies that were established to enable decentralisation, privatisation and responsabilisation to activate the mechanisms they were supposed to activate. To some extent this was due to hurried and contradictory legislation, as in the case of requiring a quorum among physically present residents at meetings to make lawful decisions. More fundamental reasons can be found in patrimonialist practices allowing state-owned assets and decision-making power to be converted into private profit. Whereas basic marketisation paved the ground for such practices, real competition between, for example, property management companies, would be an impediment to such profiteering, as would be 'self-governed MKDs' able to choose between utility providers. Likewise, the regional operator model for top-to-bottom repair of the dilapidated housing stock is more conducive to patrimonialist practices than the special account model, which leaves the residents more scope to decide themselves. The rejection of the regional operator model by many residents shows that they are willing to take on responsabilisation if the material benefits are obvious. Therefore, resistance to the core principles of the housing reform is not necessarily a result of paternalism and mental path dependency but a reaction against

debudgetising at the expense of residents combined with a deep-seated distrust in the authorities, who are understood to operate along rent-seeking, patrimonialist lines.

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Appendix. List of interviews

- #1: Head of property management company, Saratov, 28 April 2014.
- #2: Journalist covering housing issues in local newspaper, Saratov, 28 April 2014.
- #3: Head of homeowners' association, Saratov, 29 April 2014.
- #4: Local politician, Saratov, 29 April 2014.
- #5: Head of homeowners' association, Moscow, 13 April 2015.
- #6: Group interview, heads of homeowners' association and property management company, Moscow, 13 April 2015.
- #7: Scholar in the field of housing and utilities, Moscow, 27 February 2017.
- #8: Head of homeowners' association, small town in Saratov region, 20 April 2015.
- #9: Scholar, housing specialist, small town in Saratov region, 20 April 2015.
- #10: Social activist, small town in Saratov region, 22 April 2015.
- #11: Head of homeowners' association, Saratov, 24 April 2015.
- #12: Head of NGO in the field of housing and utilities, Moscow, 27 February 2017.
- #13: Representative of a centre for public control in the field of housing and utilities, Moscow, 27 February 2017.
- #14: Leading scholar in the field of housing and utilities, Moscow, 14 April 2015.
- #15: Head of private consultancy firm in the field of housing and utilities issues, Moscow, 28 February 2017.
- #16: Representative of academic association, Moscow, 28 February 2017.