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UDC 332.8 (470.2)

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Funding problems of regional housing and utilities sector and the ways to solve them

The need to reform a housing and utilities sector has escalated and become actual in terms of the overwhelming dominance of state ownership and high centralization of management. Unfortunately, the artificial monopolization and significant dependence of this sphere on subsidies have resulted in the distorted behavioral motivation of all the subjects and overall inefficiency of housing and utilities services. The article shows the analysis of current state of housing and utilities sector in the regions of the North-West Federal District; it deals with the problems of its funding and offers the promising directions to improve the regional policy effectiveness in the housing and utilities sector.

Funding of housing and utilities sector, government budgetary policy, housing and utilities sector investment.



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The development of housing and utilities sector, which has a lot of unresolved acute problems requiring immediate solving, is a very important branch of social policy in today's Russia. This sphere affects the interests of a large number of social subjects: population, all the levels of government authority, industrial enterprises, business and nonprofit organizations.

Diverse functions of this sector in the process of social reproduction come to two basic points:

1) in economic terms, housing and utilities services are a powerful factor in the reproduction of the main force of society – labour force, as

well as in making the gross national product and national income, ensuring economic growth, increasing economic efficiency;

2) in social terms, housing and utilities services are an effective factor in the stabilization of social standard of living in the period of making market economy, future growth in standard and quality of living, the most complete implementation of social equity principle.

Under these circumstances, the state of today's housing and utilities sector can be described as critical. Prolonged systemic crisis leads to an increase in the depreciation of fixed assets in the industry and, as a result, to an

increase in accident rates and environmental support system breakdown. A lack of normal resource flow does not allow to arrange even the planned network system, let alone the introduction of new technologies [1].

The extremely low economical efficiency of housing and utilities services in most regions of the Russian Federation, which causes low productivity, poor management and extremely high resource consumption, has a direct impact on the quality and cost of services. The funds received from customers as their payment for services often do not cover the cost of housing and communal companies.

With an extremely high depreciation degree of pipes and water and wastewater treatment facilities, only a few companies are able to operate at a profit, which, however, does not exceed 5%. But according to experts, the profit can account for 30% with an adequate tariff policy [10].

The tension in this sector is proved by statistics, which indicate that there are persistent negative trends that are common for all the Russian regions in the dynamics of most indicators [3].

Consider the state of housing and communal services in the regions of the North-West Federal District for the period from 2000 to 2010. Housing stock is a basis of the housing and utilities sector.

It amounted to 330.0 mln. sq. m at the end of 2010 due to the increase by 12% over eleven years that was slightly below a nationwide rate (14%). There was the fastest housing stock increase in the Kaliningrad Oblast (growth rates were 23% in 2000 – 2010), the Leningrad Oblast and St. Petersburg (17%). There were no changes in the housing floor space in the Republic of Komi during the period under our study, and it reduced by 2% in the Murmansk Oblast (*tab. 1*).

Most houses in the country were built in the period of mass building. In the regions of the North-West Federal District almost 28% of apartment houses were built in 1946 – 1970 and about 45% of houses were built in 1971 – 1995 (these figures are slightly different from the nationwide indicators – 31% and 44%, respectively). St. Petersburg stood out against a background of the situation, where 14% of houses were built before 1920 (*tab. 2*).

Housing stock in the regions of the North-West Federal District is characterized by high depreciation. In 2010, the depreciation rate of more than half apartment houses varied from 31% to 65%. There were the similar nationwide statistics in Russia (52%; *tab. 3*).

The share of old and failing housing stock in the total housing stock in the regions of the North-West Federal District amounted to 3% at the end of 2010.

Table 1. Housing stock (total housing floor space; thsd. sq. m)

Territory	2000	2006	2007	2008	2009	2010	2010 to 2000, %
Kaliningrad Oblast	17573	18768	19126	19880	20793	21609	123.0
Leningrad Oblast	36778	39256	40210	41228	42239	43334	117.8
St. Petersburg	93471	100326	102547	105583	107882	109937	117.6
Vologda Oblast	28002	29425	29585	30107	30461	30969	110.6
Novgorod Oblast	15840	16408	16549	16732	16998	17249	108.9
Republic of Karelia	15226	15621	15729	16111	16259	16354	107.4
Arkhangelsk Oblast	29406	30068	30137	30326	30609	30778	104.7
Pskov Oblast	18124	18471	18569	18604	18964	18963	104.6
Republic of Komi	22126	22260	22348	22429	22383	22192	100.3
Murmansk Oblast	19710	19465	19448	19391	19357	19374	98.3
North-West FD, mln. sq. m	296	310	314	320	325	330	111.6
Russia, mln. sq. m	2787	2955	3003	3060	3116	3177	114.0

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

Table 2. The distribution of the total housing floor space according to the years of building (in % to the total housing floor space)

Territory	Years of building				
	Before 1920	1921-1945	1946-1970	1971-1995	After 1995
Republic of Karelia	2.1	6.0	34.9	48.3	8.7
Pskov Oblast	1.6	4.5	32.9	49.4	11.6
Novgorod Oblast	4.1	7.4	32.1	45.3	11.1
Murmansk Oblast	0.1	2.3	31.9	64.4	1.5
Arkhangelsk Oblast	4.5	9.8	30.9	47.8	6.9
Vologda Oblast	4.4	7.0	30.3	43.7	14.6
Leningrad Oblast	2.6	5.7	26.9	45.3	19.5
St. Petersburg	13.9	2.0	26.6	38.5	19.0
Republic of Komi	1.3	3.3	25.8	60.2	9.3
Kaliningrad Oblast	0.2	27.2	14.6	37.3	20.7
North-West FD	6.3	6.1	27.9	45.1	14.6
Russia	2.6	4.8	30.9	43.7	18.0

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

Table 3. Distribution of apartment houses according to a depreciation rate in 2010 (in % to the total housing floor space)

Territory	Depreciation rate			
	From 0 to 30	From 31 to 65	From 66 to 70	Over 70
Kaliningrad Oblast	28.2	58.3	10.6	2.9
Leningrad Oblast	34.7	57.6	6.3	1.4
Vologda Oblast	27.9	56.2	11.7	4.2
Pskov Oblast	43.3	53.1	3.0	0.6
Arkhangelsk Oblast	31.6	51.0	13.7	3.7
Novgorod Oblast	39.0	46.2	9.3	5.6
Republic of Karelia	44.6	45.0	9.6	0.8
St. Petersburg	52.8	44.7	1.9	0.7
Republic of Komi	37.3	40.4	16.8	5.5
Murmansk Oblast	49.9	39.7	9.9	0.5
North-West FD	36.7	51.2	9.5	2.7
Russia	39.5	51.7	6.4	2.3

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

There was a similar trend in Russia. The smallest share of old and failing housing was in St. Petersburg – less than 1% in the total housing floor space. There were the highest rates in the Vologda Oblast, the Arkhangelsk Oblast and the Republic of Komi – 6%, 8% and 9%, respectively (*tab. 4*).

Deteriorating housing stock requires significant expenditures on new housing construction and capital repairing. Total costs for capital repairing in the regions of the North-West Federal District were high, except for St. Petersburg and the Leningrad Oblast.

There was the same nationwide trend in Russia: capital repairing cost amounted to 137 billion rubles in 2010 that was 14% more than in 2009 (*tab. 5*).

However, the total floor area of rebuilt housing reduced. For example, there was a decrease of this rate by 74% and 80% in the Kaliningrad Oblast and the Republic of Karelia, respectively (*tab. 6*).

As for the total cost per 1 square meter of apartment houses rebuilding, they increased in most regions of the North-West Federal District.

Table 4. Old and failing housing stock (in % to the total housing floor space)

Territory	2000	2006	2007	2008	2009	2010	Change in 2000 – 2010, p.p.
Republic of Komi	6.3	7.8	9.4	8.7	8.7	9.0	2.7
Arkhangelsk Oblast	3.5	7.8	8.2	8.3	8.3	7.9	4.4
Vologda Oblast	2.1	5.5	6.0	5.6	5.6	6.0	3.9
Republic of Karelia	3.9	2.8	3.6	3.7	3.7	3.6	-0.3
Novgorod Oblast	1.5	4.4	4.7	4.5	4.5	3.6	2.1
Leningrad Oblast	0.8	2.7	3.0	3.1	3.1	3.0	2.2
Kaliningrad Oblast	2.4	3.6	2.0	2.4	2.4	2.3	-0.1
Murmansk Oblast	1.7	1.7	2.1	2.1	2.1	2.3	0.6
Pskov Oblast	1.6	3.2	3.1	1.2	1.2	1.2	-0.4
St. Petersburg	0.5	0.6	0.6	0.6	0.6	0.7	0.2
North-West FD	2.0	3.3	3.4	3.3	3.3	3.2	1.2
Russia	2.4	3.2	3.2	3.2	3.2	3.1	0.7

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

Table 5. Total costs for the capital repair of apartment houses, mln. rub.

Territory	2009	2010	2010 to 2009, %
Pskov Oblast	235.5	801.6	340.4
Kaliningrad Oblast	290.7	771.7	265.5
Arkhangelsk Oblast	534.8	1245.6	232.9
Novgorod Oblast	296.4	648.9	218.9
Republic of Karelia	119.3	240.6	201.7
Murmansk Oblast	726.5	1136	156.4
Republic of Komi	387.9	528.5	136.2
Vologda Oblast	890.6	987.2	110.8
Leningrad Oblast	1379.3	1305.5	94.6
St. Petersburg	15804.4	6619.3	41.9
North-West FD	20665.4	14284.9	69.1
Russia	120572.3	137469.5	114.0

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

Table 6. Total floor area of rebuilt apartment houses, thsd. sq. m

Territory	2009	2010	2010 to 2009, %
Novgorod Oblast	14.0	71.4	510.0
St. Petersburg	284.6	460.8	161.9
Arkhangelsk Oblast	47.1	69.4	147.3
Pskov Oblast	55.1	79.0	143.4
Leningrad Oblast	230.7	301.3	130.6
Republic of Komi	96.4	121.1	125.6
Vologda Oblast	1024.2	594.2	58.0
Murmansk Oblast	1350.7	753.2	55.8
Kaliningrad Oblast	962.5	250.3	26.0
Republic of Karelia	15.4	3.2	20.2
North-West FD	4080.7	2703.9	66.3
Russia	44276.3	41138.5	92.9

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

Table 7. Total cost per 1 square meter of apartment houses rebuilding, rub.

Territory	2009	2010	2010 to 2009, %
Kaliningrad Oblast	302	3083	1020.8
Republic of Karelia	7747	75188	970.6
Murmansk Oblast	538	1508	280.4
Pskov Oblast	4274	10147	237.4
Vologda Oblast	870	1661	191.1
Arkhangelsk Oblast	11355	17948	158.1
Republic of Komi	4024	4364	108.5
Leningrad Oblast	5979	4333	72.5
Novgorod Oblast	21171	9088	42.9
St. Petersburg	55532	14365	25.9
North-West FD	5064	5283	104.3
Russia	2723	3342	122.7

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

It is necessary to note the Kaliningrad Oblast, the Republic of Karelia, the Murmansk, Pskov and Vologda Oblasts, where the total cost per 1 square meter of apartment houses rebuilding increased 2.0 – 10.2-fold in 2010 as compared with 2009. On the contrary, there was a cost reduction in the Leningrad Oblast, the Novgorod Oblast and St. Petersburg (*tab. 7*).

Communal infrastructure is also characterized by a high degree of depreciation and technological backwardness. The depreciation rate of gas supply facilities accounted for 59%, heat facilities – 50%, water supply facilities – 60% and sewerage facilities – 49% in the regions of the North-West Federal District at the end of 2010 (vs. 48%, 48%, 54% and 12% in Russia, respectively). There were the most depreciated fixed assets on the Murmansk Oblast (*tab. 8*).

The depreciation of communal infrastructure affected mainly the amount of lost resources. Heat losses in the operation of existing heating systems exceeded the established standards by 4 – 7%¹, and there was a total trend to worsen the situation in the period from 2000 to 2010. Thus, average heat losses in the regions of the North-West Federal District were equal to 8.3% at the end of 2010, i.e. 1.5 percentage points more than in 2000.

¹ Official site of Russian Heat. Available at: <http://www.rosteplo.ru/>

There were the greatest heat losses in the Novgorod Oblast (13.2%), the Pskov Oblast (12.4%) and the Vologda Oblast (10.1%) (*tab. 9*).

However, heat supply systems are repaired insufficiently. Only 3.4% of the total length of heating networks was replaced in the regions of the North-West Federal District in 2010. These figures were higher a little bit than a nationwide rate (2.6%; *tab. 10*). It is noteworthy that only old heating systems that served their time long ago are replaced, while wrecking systems are still considered as repairable.

There are similar trends in the communal services. High depreciation of organizations' fixed assets and small amounts of utilities reconstruction cause the great losses of resources. Deteriorating public utilities require significant investments in this sphere.

Analysis of the process and expected results of housing reform, which has been undertaken since the early 1990s, shows that the government continues to develop market relations in this sphere and reduces the state support for this sector.

The expenses of consolidated regional budgets for housing and utilities sector have increased 10-fold over the period from 1998 to 2011, but their share in the total expenditures has decreased from 23 to 12.0% and in GDP – from 3.5 to 2.2% (*fig. 1*).

Table 8. Depreciation rate of organizations' fixed assets according to the types of economic activity related to the communal complex, in 2010, %

Territory	Types of economic activity			
	Production and distribution of fuel gas	Production, transmission and distribution of heat energy	Collection, purification and distribution of water	Sewage and wastes disposal and similar activities
Republic of Karelia	66.5	27.5	14.6	57.1
Republic of Komi	39.7	27.3	37.6	52.8
Arkhangelsk Oblast	59.8	50.5	56.3	51.2
Vologda Oblast	36.8	55.0	56.0	49.6
Kaliningrad Oblast	47.7	34.4	56.2	59.1
Leningrad Oblast	84.8	40.7	31.8	35.9
Murmansk Oblast	73.2	77.7	61.9	51.1
Novgorod Oblast	49.2	47.7	40.8	51.2
Pskov Oblast	45.6	53.2	52.0	38.4
St. Petersburg	15.9	44.5	59.8	53.3
North-West FD	58.8	49.8	59.0	49.3
Russia	47.5	48.1	53.8	11.6

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

Table 9. Heat losses in the heat supply systems (in% of heat supply)

Territory	2000	2006	2007	2008	2009	2010	Change 2000 – 2010, p.p.
Novgorod Oblast	12.3	12.6	13.7	13.5	13.6	13.2	0.9
Pskov Oblast	7.7	9.8	10.9	11.1	12.8	12.4	4.7
Vologda Oblast	4.6	9.1	8.5	10.6	9.3	10.1	5.5
Arkhangelsk Oblast	6.7	8.1	9.0	9.3	9.4	9.6	2.9
Murmansk Oblast	8.8	8.5	10.2	9.5	8.9	9.5	0.7
Kaliningrad Oblast	5.0	11.2	12.3	9.9	9.0	8.8	3.8
Leningrad Oblast	9.1	8.4	7.9	8.0	8.3	7.9	-1.2
Republic of Karelia	4.7	4.9	6.5	6.2	6.6	7.3	2.6
St. Petersburg	5.5	7.3	7.0	7.1	7.5	7.3	1.8
Republic of Komi	8.4	7.1	8.0	7.7	7.6	7.1	-1.3
North-West FD	6.8	7.9	8.3	8.3	8.4	8.3	1.5
Russia	7.2	9.1	9.3	9.2	9.6	10.1	2.9

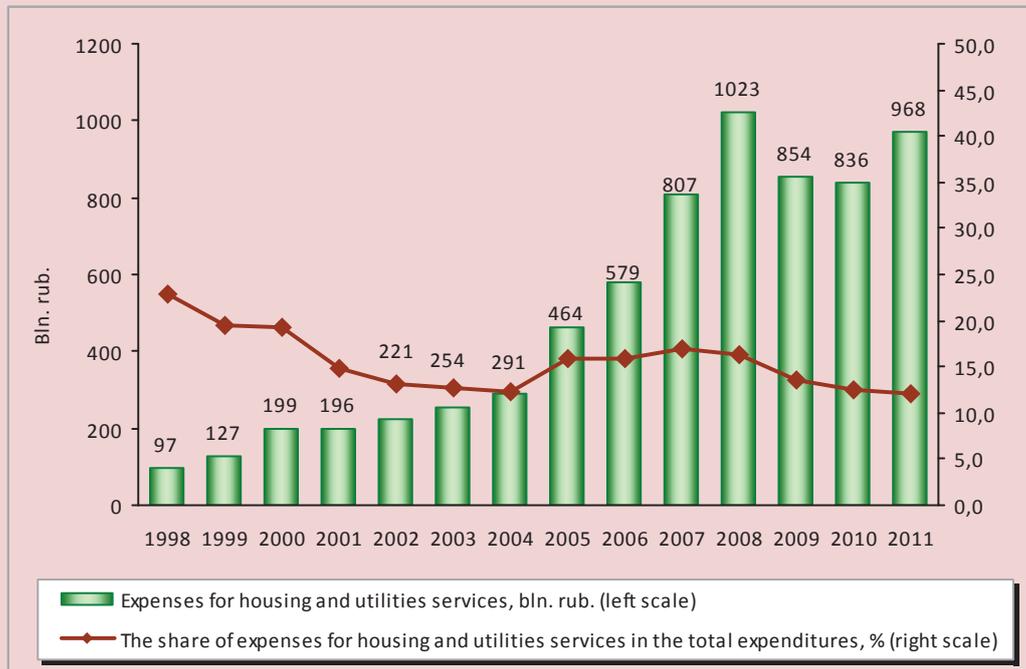
Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

Table 10. Replaced two-pipe heat and steam systems in 2010

Territory	Replaced two-pipe heat and steam systems, total, km	Including old systems	The share of replaced two-pipe heat and steam systems in the total heat and steam systems spread, %
Leningrad Oblast	156.3	133.9	5.6
St. Petersburg	184.1	100.0	4.5
Novgorod Oblast	27.9	27.6	3.2
Kaliningrad Oblast	22.8	17.0	2.7
Arkhangelsk Oblast	54.1	38.3	2.6
Pskov Oblast	22.5	16.3	2.4
Republic of Komi	43.0	27.6	2.1
Vologda Oblast	40.3	36.5	2.1
Republic of Karelia	18.4	16.9	2.0
Murmansk Oblast	21.3	19.7	1.9
North-West FD	590.7	433.8	3.4
Russia	4527.7	3630.8	2.6

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

Figure 1. The share of housing and utilities expenses in the consolidated budgets of the RF subjects, mln. rub.



There were traditional maximum investment in the housing and utilities sector in the Chukotka Autonomous Okrug (76.4 thousand rubles. per person annually), Nenets Autonomous Okrug (66.9) and Yamalo-Nenets Autonomous Okrug (31.4), as well as in the metropolitan centres – Moscow (33.9) and St. Petersburg (22.3 thousand rubles per person annually).

The peak of absolute investment in the industry was in financially successful 2008, when the maximum income allowed to invest over 1 trillion rubles from the consolidated budgets of the RF subjects or 16.4% of the total consolidated assets to the housing and utilities sector.

As for the regions of the North-West Federal District, there are the similar nationwide trends here (fig. 2).

There are significant swings in financing of the industry at the regional level. For example, despite the increase in housing and utilities expenses in the Vologda Oblast, their share in the total expenditures of the

regional consolidated budget has been reduces annually since 2000 (fig. 3).

Comparing the housing and utilities expenses in the regions of the North-West Federal District in 2011 shows that there were the highest expenses per capita in St. Petersburg (14,575 rubles), the Murmansk Oblast (10,658 rubles) and the Kaliningrad Oblast (7,362 rubles). The expenses varied from 4 to 6 thousand rubles in other regions (tab. 11).

However, there is information about exorbitant housing and utilities expenses of regional and local budgets in the scientific literature and official documents and about the need to shift them onto the consumers.

It is possible to use a coefficient of patronizing² (C_{patron}) the housing and utilities sector by the consolidated budget system and a coefficient of recompensing³ (C_{recomp}) service cost by population [4].

² $C_{patron} = RCB^{hus} / (HS \cdot C^{hus} \cdot 12)$.

³ $C_{recomp} = (PR \cdot D^{hus}) / (HS \cdot C^{hus})$.

Figure 2. Housing and utilities expenses in the consolidated budgets of the regions of the North-West Federal District, mln. rub.

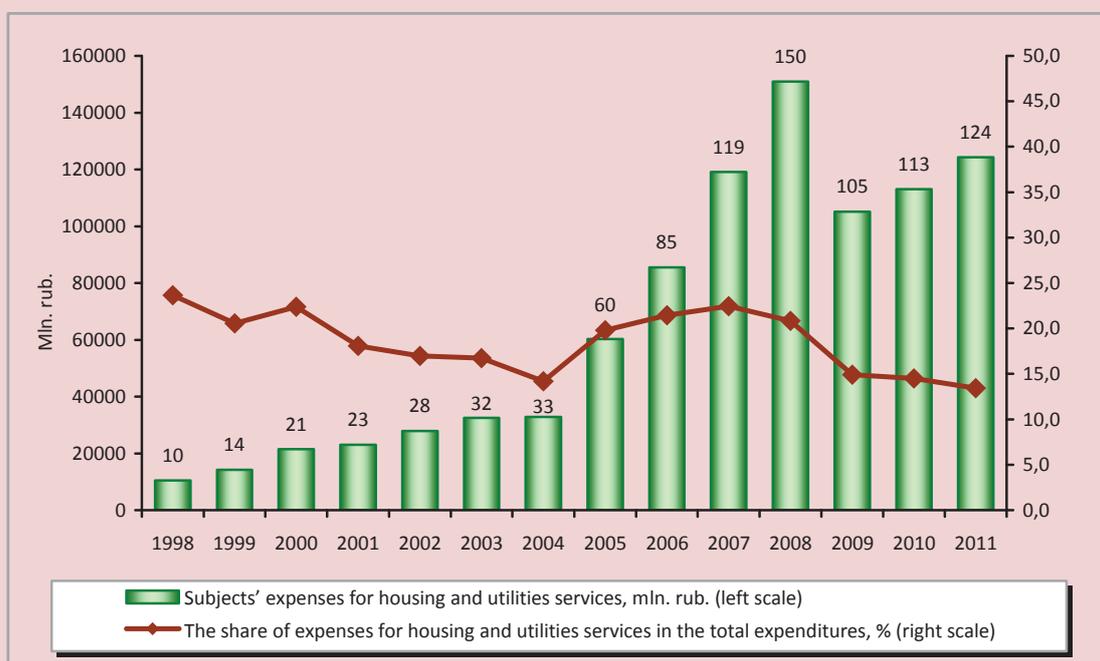


Figure 3. Housing and utilities expenses in the consolidated budgets of the Vologda Oblast, mln. rub.

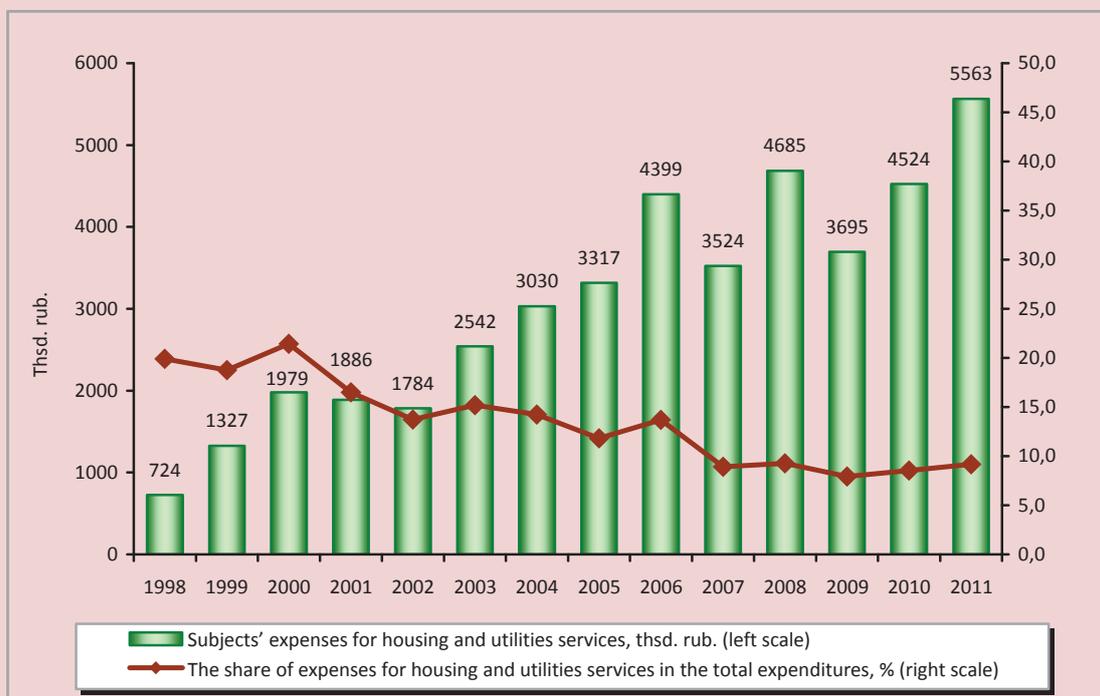


Table 11. Housing and utilities expenses per capita in the regions of the North-West Federal District, rub.

Territory	1998	2000	2005	2006	2007	2008	2009	2010	2011	2011 to 1998, %
St. Petersburg	719.2	1620.5	7992.0	11989.8	18451.5	22339.2	12826.8	13180.6	14575.0	20.3
Murmansk Oblast	1516.3	2282.7	2503.9	6607.5	6318.8	7873.2	7268.3	8095.3	10658.1	7.0
Kaliningrad Oblast	442.9	1329.4	3444.4	4560.9	5188.6	6206.2	6480.5	7112.6	7362.2	16.6
Arkhangelsk Oblast	411.2	953.9	1635.7	2686.4	3963.0	6530.9	4991.2	5671.0	6807.7	16.6
Republic of Komi	1202.8	1851.8	2832.8	2891.6	2810.1	5220.1	3885.8	4712.0	5421.0	4.5
Leningrad Oblast	706.4	1324.3	2766.0	2744.6	3763.7	5361.5	5882.0	5516.6	4797.6	6.8
Vologda Oblast	550.3	1523.6	2664.4	3562.4	2872.2	3834.1	3044.3	3760.7	4624.5	8.4
Novgorod Oblast	775.0	1286.6	2726.3	3145.4	3389.6	5794.2	5520.9	5217.2	4466.0	5.8
Pskov Oblast	317.5	1061.9	1555.2	1136.2	1803.2	2314.3	3810.0	2741.2	3944.0	12.4
Republic of Karelia	577.8	1114.6	1459.2	1518.5	1918.2	2329.4	2622.8	3926.2	3912.3	6.8

Source: Housing and utilities sector and household services. 2010: Stat. Coll. Rosstat. Moscow, 2010.

As a result of targeted federal policies, funding of the sector was characterized by the decline of budget expenditures for supporting the complex in the period from 1997 to 1999.

At the same time, the Government of the Russian Federation delayed the increase in the tariffs for the population. In 2000 – 2004, after thawing of housing and utilities tariffs, the main burden of housing and utilities costs was shifted onto the population; people had not had time to react quickly to subsidy programmes and took the brunt of the “crouch start” on themselves⁴. In 2005 – 2008, the coefficient of recompensing increased from 0.35 to 0.48 due to the gradual involvement of the budget system in the direct support of the housing and utilities sector (mainly in the form of direct targeted subsidies to the populations and partial participation in the capital expenditures on housing repair and commissioning of utilities). There was the highest growth of the coefficient in Moscow and St. Petersburg.

There was a sharp decline in the coefficient of patronizing down to the level of 2005 (0.35; *tab. 12*) in all the regions of the North-West

⁴ It is possible to calculate the coefficient of budget patronizing the housing and utilities sector only since 2005 due to the absence of regional standards of housing and utility services cost per 1 sq.m of floor space per month till 2005.

Federal District and in the whole country in 2009 after the maximum budget allocations to the housing and utilities sector in 2008.

In fact, it was the result of a belated response to the financial crisis broken out in 2008. If almost all the subsidy refund budget commitments were met and capital funds were drawn in the housing and utilities sector during the crisis, then most of them were not even planned in 2009. At the same time, there was a significant increase in housing and utilities tariffs, which were covered by the payments of households.

There were more significant changes in the coefficient of recompensing as compared with the coefficient of budget patronizing: there was about 3-fold gap between the maximum coefficient (St. Petersburg – 1.26) and minimum coefficient (Arkhangelsk Oblast – 0.43), which identified the deeper spatial differences in forming households' incomes in comparison with territories' fiscal capacity (*tab. 13*).

In addition, the comparison of two coefficients showed that the budget expenditures per one reference housing unit were 2 – 2.5 times lower than population expenses. It is evidence of a significant increase in housing and communal tariffs that are covered mainly by the payments of households (*fig. 4*).

Table 12. Coefficient of budget patronizing the housing and utilities sector in the regions of the North-West Federal District *

Territory	2005	2006	2007	2008	2009	2010	Changes in 2005 – 2010
St. Petersburg	1.04	1.28	1.69	1.81	0.95	0.90	-0.14
Kaliningrad Oblast	0.42	0.43	0.41	0.43	0.40	0.38	-0.04
Murmansk Oblast	0.17	0.42	0.35	0.40	0.33	0.32	0.15
Vologda Oblast	0.35	0.46	0.32	0.38	0.27	0.30	-0.05
Leningrad Oblast	0.30	0.23	0.27	0.34	0.33	0.29	-0.01
Novgorod Oblast	0.30	0.23	0.21	0.32	0.28	0.23	-0.07
Republic of Komi	0.23	0.22	0.19	0.32	0.22	0.22	-0.01
Arkhangelsk Oblast	0.17	0.17	0.22	0.32	0.22	0.22	0.05
Republic of Karelia	0.17	0.13	0.14	0.16	0.16	0.20	0.03
Pskov Oblast	0.17	0.09	0.12	0.14	0.21	0.15	-0.02
<i>Russian Federation</i>	<i>0.35</i>	<i>0.35</i>	<i>0.42</i>	<i>0.48</i>	<i>0.35</i>	<i>0.30</i>	<i>-0.05</i>

* Author's calculations.

Table 13. Coefficient of recompensing the housing service cost by population*

Territory	2005	2006	2007	2008	2009	2010	Changes in 2005 – 2010
St. Petersburg	1.03	1.17	0.96	1.21	1.28	1.26	0.23
Leningrad Oblast	0.52	0.44	0.48	0.44	0.69	0.98	0.46
Republic of Komi	0.70	0.82	0.82	0.81	0.99	0.95	0.25
Vologda Oblast	0.46	0.62	0.69	0.70	0.80	0.95	0.49
Murmansk Oblast	0.64	0.73	0.77	0.76	0.79	0.84	0.20
Republic of Karelia	0.53	0.47	0.54	0.50	0.56	0.68	0.15
Kaliningrad Oblast	0.41	0.45	0.46	0.59	0.60	0.61	0.20
Novgorod Oblast	0.37	0.34	0.43	0.52	0.59	0.60	0.23
Pskov Oblast	0.42	0.39	0.37	0.44	0.44	0.56	0.14
Arkhangelsk Oblast	0.50	0.38	0.39	0.42	0.40	0.43	-0.07
<i>Russian Federation</i>	<i>0.61</i>	<i>0.64</i>	<i>0.64</i>	<i>0.68</i>	<i>0.71</i>	<i>0.74</i>	<i>0.13</i>

* Author's calculations.

In this case, the population becomes “a prisoner of a situation” and bears the burden of housing and communal services. According to the Long-term fiscal strategy of the Russian Federation until 2023, the development of the housing and utilities sector intends to decrease subsidies to the population and increase the share of market relations in this sector, so the budget expenditures will be gradually reduced [8]. The reforms in the sector will be financed partly by the Foundation for Housing Reform, which can reduce regional fiscal burden, but only until January 1, 2013 [9].

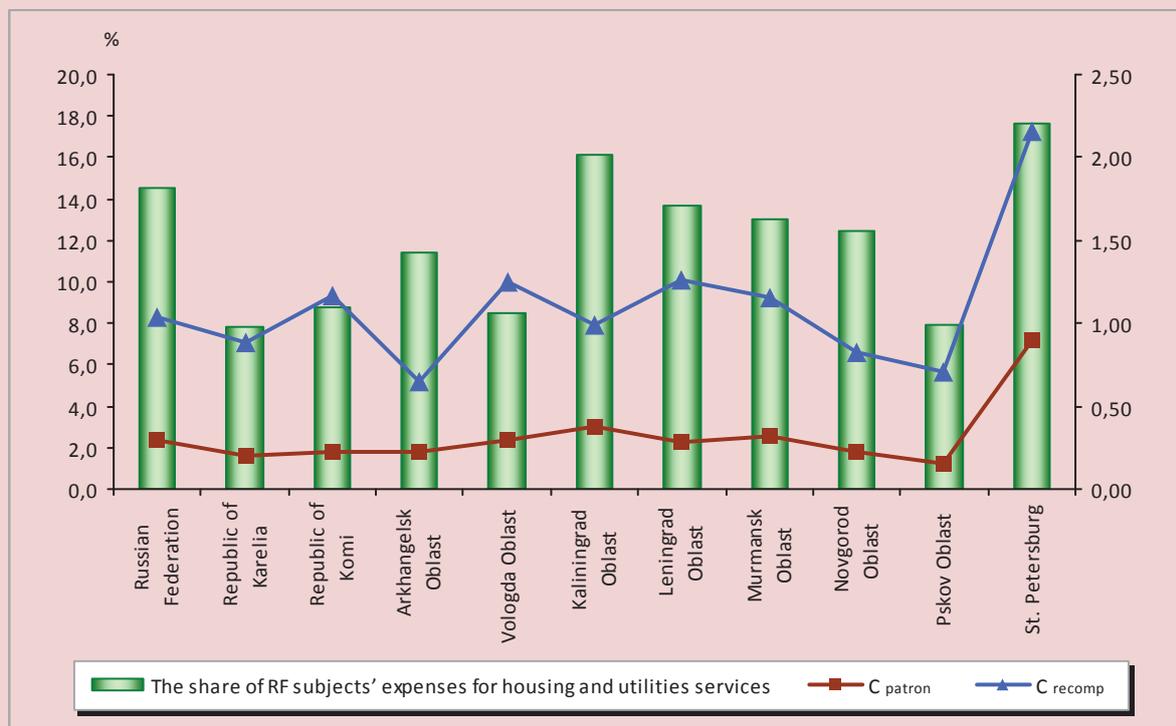
The growing range of unresolved financial problems, the main of which are the dependence of housing and utilities services producers on

budgetary subsidies, the lack of transparent scheme of tariff regulation, the imbalance of intergovernmental transfers, requires improving regional policy in the housing and utilities sector.

The following measures can be the main directions of this process:

- ✓ improving financial and legal regulation of the system of state support for investment projects in the housing and utilities sector;
- ✓ strengthening financial discipline and developing the special tools of financial control in the housing and utilities sector;
- ✓ forming the system of regional standards for housing and utilities services, confirmed annually before the Law on the regional budget;

Figure 4. The ratio of the coefficient of budget patronizing the housing and utilities sector to the coefficient of recompensing the housing service cost by population in 2010



- ✓ using public-private partnerships as a mechanism to attract private investment in the infrastructure sector (budget co-financing of private investments to the projects on the modernization of communal infra-structure);
- ✓ increasing the target orientation of housing and communal subsidies.

Thus, only the gradual actions of federal, regional and municipal governments and private investors, coordinated in the economic, social and political terms, are able to make the conditions for balanced financing of the housing and utilities complex and the rapid modernization of the sector.

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