

Thus, pension reform delays entail the following threats:

- redistribution will remain unfair as part of the money due to 'ordinary' pensioners goes to privileged groups;
- living standards of pensioners will decline further due to benefits being scant;
- life expectancy at retirement may fall;
- the Social Security Fund may collapse.

The reform should eliminate or reduce the risks. Its main purpose is to establish an effective and fair system on a par with international social security standards.

Housing

The state of repair of the housing stock is one of the country's most serious problems. It is necessary to draw a line between urban and rural housing. The rural housing stock is unlikely to cause major problems for national policies in a foreseeable future. Firstly, because the service life of properly maintained individual homes is much longer, secondly because the government is not committed to renovate or repair owner-occupied homes and, thirdly, in 2002 the country had 120,000 vacant houses, of which 99 percent in rural areas, including just 0.3 percent in areas contaminated by radioactive substances. Clearly, a crisis of the rural housing stock is not anywhere near.

The state of repair of the urban stock is a cause for major concerns. Most of the multi-storey residential buildings in medium-sized and large cities were erected between 1960 and 1990. 73% of apartment dwellers live in such houses. Just 6 percent of multi-unit houses were built after 1991.

As per current regulations, the prefabricated concrete buildings erected in the first mass housing construction series (the 'Khrushchovkas') can serve 40 years without repairs; other prefab concrete structures can serve 50 to 70 years depending on type. Brick houses can be used for more than 100 years without an overhaul. Ca. 55 percent of the apartments commissioned between 1960 and 1980 are in the prefab concrete category. Most units built during the first

mass housing construction series require overhaul now or will need it in the next five to seven years. Occupancy in those buildings beyond their stipulated service time can be hazardous. There have already been a few cases of structural items most vulnerable to wear and tear collapsing (e.g. balconies).

However, a deep housing stock crisis should not be expected to arise before 2020s or 2030s, the time when the lifecycle of most un-serviced prefab buildings is expected to run out.

Communist Party promises to provide each household with a self-contained housing unit were dissipated with the party's collapse.

The current government is also failing to tackle the housing issue – it has not set up housing lending schemes, just as it kept away foreign banks that offer such services. Residents cannot afford investing their savings in long-term housing projects, and there are many obstacles within the construction industry as well. At the same time, swelling numbers of those in need of housing may severely destabilize the social and political arena in the immediate future.

In 2001 municipal authorities repaired 313,500 square meters of urban residential space, i.e. 0.23 percent of the total stock. If coupled with owner-occupied homes renovated at owners' expense, the share totals 0.26 percent.

Notably, apartment tenants, with the exception of those in housing cooperatives, have been required to contribute to the impending overhaul since 1999. However, the funds are not deposited in bank accounts; they're used to bridge current budget gaps. In other words, tenants pay today to have their house repaired in 380 years. They have paid a lot already. The figure for 2003 is equivalent to \$50 million.

On the heels of the pension system, akin to a pyramid scheme, the authorities are devising a new bogus scheme where ca. 6 million residents pay their bills, with just few being lucky enough to have their houses repaired. It should be remembered that in 1991 the authorities pocketed some 145 million then-Soviet rubles (\$235 million at the-then official exchange rate) set aside by housing cooperatives for major repairs. If the government fails to spend as initially intended, 4,500 multi-storey buildings will be stripped of any maintenance funds at all.

If the problem is not addressed immediately, accidents caused by depletion may be expected in five-ten years in buildings of the first mass housing construction series, and within another ten years in other prefab concrete structures.

The government's plan for phasing out cross-subsidies in the utility sector foresaw a 4–5 percent cost cut as a result of lower rates for industrial enterprises. This means that the plan was intended to increase efficiency in the industries rather than encourage energy resource conservation or establish a sound economic relation between the tenants and utilities and housing services providers. However, utility rates for industrial enterprises have not decreased. Therefore, the enterprises failed to cut costs or raise wages. Staple goods and services have not become cheaper, therefore the overall tax burden on the population remains the same, while the utility and housing maintenance rates rose sharply. Some single pensioners living in large apartments and large low income families have problems meeting their bills. A further rise in rates would lead to an insolvency crisis and aggravate social tensions.

The cost of supplying running water, heat, power and gas to multi-storey buildings is too high. The greater the output of a public utility, the higher subsidies it receives from the municipality.

Equipment in utility companies is worn out, obsolete and should be replaced or modernized to reduce energy consumption and prevent accidents. In the future, upgrade programs will call for a considerable rise in funding, and may lead to a further rise in utility rates. Given the increase in spending on maintenance, major repairs, retrofitting and insulation of houses, the utility bill is likely to take up a considerably larger share of household expenses.

Utility bills will not go down and services will not improve without economic mechanisms being put in place to boost efficiency. In absence of appropriate changes, the quality of housing services will remain poor, the housing and utility system will be increasingly hazardous to operate, and people would have to bear the increasing burden of the inefficient housing sector.