

STUDIES IN CONTEMPORARY RUSSIA

The Other Russia

Local experience and societal change

Leo Granberg and Ann-Mari Sätre



The Other Russia

Most recent research seeks to explain contemporary changes in Russia by analysing the decisions of Russian leaders, oligarchs and politicians based in Moscow. This book examines another Russia, one of ordinary people changing their environment and taking opportunities to provoke societal changes in small towns and the countryside. Russia is a resource-rich society and the country's strategy and institutional structure are built on the most valuable of these resources: oil and gas. Analysing the implications of this situation at the local level, this book offers chapters on resource use, local authorities, enterprises, poverty and types of individual, as well as a final chapter which places local societies within the framework of the Russian politicised economy.

Based on extensive empirical data gathered through more than 400 semi-structured interviews with entrepreneurs, teachers, social workers and those working for the local authorities, this book sheds light on the role of local activity in the development of Russian society and is essential reading for students and scholars interested in Russia and its politics.

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The variety of opinions on these issues is vast. Some see increasingly less difference between contemporary Russia and the Soviet Union while, at the other extreme, prominent experts regard Russia as a ‘more or less’ normal European state. At the same time new variants of modernisation are espoused as a result of Russian membership of the global BRIC powers. Combining aspects of Western and Soviet modernisation with some anti-modern or traditional tendencies the Russian case is ideal for probing deeper into the evolving nature of modernisation. Which of the available courses Russia will follow remains an open question, but these trajectories provide the alternatives available for discussion in this ground-breaking and authoritative series.

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This book is based on several research projects carried out in Russia. The idea to write this book together came up about four years ago. After having exchanged earlier publications, we discovered that we had a common interest and similar experiences based on earlier research. We had both spent a lot of time doing fieldwork in peripheral areas of Russia, although in different regions. We both wanted to mediate a picture of how people outside the cities and major metropolises in Russia live, people who we hear so little about. We want to contribute to an improved understanding about what possibilities and challenges ordinary people meet, and about the life situation of ordinary Russians. We feel that this ambition has become even more important in recent times, in the midst of increasing international tensions. In our luggage, we also had many previous trips to Russia and the Soviet Union and close to thirty years of research on transformation in Russia.

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Ann-Mari Sätre and Leo Granberg
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Abbreviations

CAF	Community Aid Foundation
FOK	<i>Fizikulturno-Ozdrovitelnyi Kompleks</i> (Sports-Wellness Centre)
FSB	<i>Federalnaya Sluzhba Bezopasnosti Rossiskoi Federatsii</i> (Russian Security Service)
<i>Kolkhoz</i>	Production Cooperative farm in the Soviet Union
<i>Komsomol</i>	Communist youth organisations in the Soviet period
LAG	Local Action Group in LEADER policy
LEADER	<i>Liaisons Entre Action de Developpement de l'Economie Rurale</i> (Links Between Action for the Development of the Rural Economy) – the main feature of the European Union’s rural policy
<i>Lezkhoz</i>	State units taking care of forest management in the Soviet period (see Chapter 2, note 7)
NGO	Non-governmental organisation
<i>Okrug</i>	The area of a locality which a municipality deputy represents, e.g. a couple of roads or some villages
<i>Perestroika</i>	Reconstructing (<i>perestroit'</i>) the Soviet economy – the initiative of President Gorbachev in 1985
<i>Prokurator</i>	A legal officer who both investigates and prosecutes crimes (i.e. ‘prosecutor’)
SIDA	Swedish International Development Agency
<i>Sovkhoz</i>	State farm in the Soviet Union
TOS	<i>Territorial'noe Obshchestvennoe Samoupravlenie</i> (self-managed local association)

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1 Introduction

‘We belong to the generation that doesn’t have the habit of taking money.’

(A woman from a women’s club, forest village)

This is a book about Russia on the local level, about its people, their concerns and actions, about how to survive from day to day or how to attempt to make life better in the future. The text is based on interviews which the writers collected during numerous visits to Russian regions between 2001 and 2015. Interviews were conducted in five regions: some places were visited many times and even followed for the whole period, while others were visited only once or twice. We did not choose these regions just for this book, they were targets of several separate projects with specific aims, and their results have been reported elsewhere. All of these projects, however, paid attention to the local level, and for all of them the data was collected by interviewing people, complemented by observing and in some cases by special methods like focus group meetings.

The number of places one can visit is limited, but we are convinced that similar remarks and conclusions would be found almost anywhere in Russia. This is because of the similarities of Russian society in different regions, and because the structural changes have taken the same shape all over the country – leading from chaotic and uncontrolled privatisation of state companies to the reorganisation of industries and centralisation of power. On the other hand, some processes have taken different directions in various regions in Russia. While Moscow and some other big cities as well as oil and gas producing areas have their own track, forestry is typical for the regions we visited but not for southern regions, and also agriculture has developed differently in the south compared to the north.

The writers want to pay attention first and foremost to the local inhabitants’ wishes and dreams, to their ideas, initiatives and actions. In some places we witnessed a remarkable increase in local activities from 2000 to 2014–15, in some other places history seemed to have stopped after the Soviet time. The question to be kept in mind is whether variation in development between different localities depends on local activity. Can societal development be impacted by local needs and wishes in Russia? Can grassroots-level activity facilitate bottom-up processes in society or not? We have seen promising initiatives carried out,

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supporting the former alternative. However, many hindrances refer to the latter alternative – Russia is very large, and has strong determinant factors in its culture and economy.

Local Russia is also the ‘other’ Russia. Local life and processes are hidden behind the ‘spotlights’ of the media, outside Moscow, St Petersburg and other Russian metropolises, far from political and economic centres where international pacts and national decisions are made. The ‘other’ Russia is a counterpart for the first Russia.¹ The first Russia keeps a monopoly on the decisions about ownership of natural resources and the redistribution of national production, making definitions about political priorities and decisions on investments. The ‘other’ Russia is found in the margins of cities and larger towns, in small towns and villages. Perhaps two-thirds of Russians live in places we call the ‘other’ Russia and, nonetheless, only a few foreigners know about these places. People in the ‘other’ Russia are, however, not only brushed away by powerful people and their business plans, but they themselves have often chosen to keep their distance from economic and political elites and from state authorities.

People

In this book we will meet some people who have suffered from poverty, some who have succeeded in avoiding poverty or in getting out of it, and others who have tried and failed and who will try again. Margarita is a successful entrepreneur and owns a new hotel in a small town. She was a teacher who made her first small capital by selling oranges, and she survived the period of hyperinflation by buying twenty tons of pasta. After several years of doing business in a street shop, in small-scale agriculture and a cafe, she built her hotel.

Ivan was a tractor driver in a *sovkhos* (state farm), living together with his wife in a valley in the Russian countryside. When the *sovkhos* was closed, he tried to establish a family farm to produce milk which, as he had seen, was often sold out in the shops at the time. He acquired five hectares of previous *sovkhos* land and ten cows and tried to transport milk to a dairy, but it did not accept his milk. In desperation he had to end his attempt. Since then he has written a village history, produced handicrafts from birch bark and had just started to produce honey when we met him in 2013.

Dmitry tried to establish a dairy. He needed capital and made a contract to fell forest with a forestry firm, which he did not manage to fulfil. He imported a Swedish forestry machine, which he eventually lost in Russia to his creditor. After bankruptcy he was in danger of revenge. He disappeared for two years to Siberia, it was said. In 2012 he was back, had built a house and could re-start business.

In the beginning of the 2000s Tatiana lived far from any larger settlement. In the area in which she lived only a couple of *sovkhozes* had remained in production and salaries were low. However, she started to process berries and mushrooms in a simple way, opened a shop, undertook agricultural activity and paid some bribes to the authorities to get licences. Slowly she succeeded to get past all the hurdles and her products became a success.

Places

Nature and people mould places which we learn to know from their landscape and architecture, lakes, roads and buildings. These are places where people are living and coming together with others, where they communicate, work together and compete with each other.

What is common to all the places in this book is that the Soviet state broke down and left a lot of ‘empty space’ in them. During privatisation many state companies were closed and private companies seldom succeeded in starting on the same scale. When local actors tried to take responsibility to let life continue, the borderline between public and private was blurred, and so also was the boundary between the social and the economic. Private persons in families, and individuals in local administrations tried to fill the holes left by privatisation programmes and to solve the most crucial local problems. This was extremely difficult, although it was nothing new as such efforts had been needed all through the Soviet era. This book is very much an attempt to describe and understand in what way the empty social space has been filled in the ‘other’ Russia.

From Karelia to Sakha

The writers have, separately and together, been moving around North-West Russia, in a region eastwards from Moscow and in northern Siberia. The places which this book describes are located in the Republic of Karelia, in the Archangelsk region (*oblast*), the Leningrad region, the Nizhny Novgorod region and in the Republic of Sakha (Yakutia). We do not refer to these places by their real names, or the people we met and interviewed. They are examples of the same type of places and of similar people found elsewhere. Let us take a look at some of the places.

The district centre of Plota is scattered around the *sovkhos* building. Its basic facilities in the early 2000s were a lunch canteen (*stolovaya*), a house of culture,² school, kindergarten, cooperative shop and some new small private shops. It is located an hour away by car from the regional capital. During the ten years of our visits it was doing quite well. The roads to and within the settlement were repaired. There is a new hotel in the centre, the old canteen is closed, but three new restaurants and cafes have been opened. The street view has been improved because of renovation work, the number of children is growing and a new house of culture has been built.

The municipal³ centre of Vershim has grown around a river, and a smaller village is situated a few kilometres downstream on the sandy peninsula of a big lake. The main village has old *sovkhos* buildings, a big home for the elderly to which people come from the different parts of the region, a school, and several small shops with a small street market beside the road. The *sovkhos* is not doing well. Its production has not been profitable and since the year 2000 its hotel has been closed. The private sector has taken its first steps: a family has transformed their house into a small guest house for visitors, an entrepreneur works in the

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fishing industry and some tourist buildings have risen in the smaller village, a populous hamlet comprising a number of small houses scattered among a pine forest. It is beautiful to look at but poor.

The municipality of Verkh-Borovlyanka has been built along a minor river in a pine forest and forms a chain of settlements which rise from the valley up to the hills around it. These settlements were built mostly after the Second World War in order to produce timber for Soviet railways, industry and building sites. After the Soviet time the *sovkhos* collapsed, the sawmill of the *sovkhos* was closed and the community seemed not to have many functions to offer to the rising market economy in the country. Nevertheless, in spite of a decreasing population, there is still a school, a house of culture and a health centre.

The district of Klotskii is comprised of many villages, some of which are rather large, with up to 9,000 inhabitants. Forest industry has been the basis of these settlements, which are in many ways similar to the villages in Verkh-Borovlyanka, but here people are doing much better. There is a handful of male entrepreneurs who control the local food and dairy businesses and forestry. In addition, there are a few rather successful female entrepreneurs who started activities within the textile and tourism industries, trading, and in the processing of berries and mushrooms. Basic facilities for winter sports have been built by a couple of entrepreneurs and a cluster of winter sports and tourism activities seems to be developing little by little.

The village of Lipovka near the regional capital has only one major employer, a metal industry company. It was privatised in the early 1990s and has had seven different owners since then. Some local inhabitants tried to develop the village, for instance by opening a cultural centre with a cafe. The seventh owner of the company, however, moved to St Petersburg and the enterprise stopped paying taxes to the municipality. The owner had no interest in supporting the village in any way and also cut the electricity and water to the cafe.

The small town of Lopatino with 14,000 inhabitants has lost most of its earlier industrial plants: the dairy, the slaughterhouse and the car factory, but still has a rather multifaceted economy. There are a couple of colleges which give it the character of a student town. Many activities are organised around a brand new sports centre. There are quite a few small private entrepreneurs and a larger textile factory. The town is struggling to find a future, trying to find a balance among the various social and economic problems and suffers from a constant lack of resources.

Gagino was the historical centre of a larger district, but is now more of a small, peripheral mono-town.⁴ Its old factory provided basic employment and services for the settlement, but after privatisation the company was sold to a buyer from Moscow and finally closed in 2014. The village had sufficient population for a big school, a number of kindergartens and cultural services. The company had sponsored sports, and the teams from the village were at the top of the region, as one can see from the prizes and photographs on the walls of the municipal office and in the hallway of the school. Now the future of the settlement lies on the shoulders of small forest-based companies.

In the arctic taiga, a district of three villages, Suzan, lies on permafrost. There are approximately 4,000 people in these villages which are isolated from other cities and towns. They do not have a road to get to the regional centre, or even from one village to another. Russian cars and lorries are able to drive slowly in winter time on the frozen routes through forests and marshland to import necessary commodities to people living there while satellites in the sky take care of their connection to the wider world. Life in these villages is possible because of the well-organised local society, as well as salaries, pensions and transfers from the state budget. Some residents work with animals or natural resources, some have a position in administration and others work in normal modern occupations such as teaching, journalism and healthcare. In these most distant villages we find private entrepreneurs, energetic local leaders and active cultural workers as in so many other Russian villages.

The themes

How to bring resources into use

Russian leaders and scientists are proud of the country's huge natural resources, which in many senses are more immense than in any other country on the globe. The human resources are also remarkable, given the size of the population, the ethnic diversity and the high standard of education offered since the Soviet period. The question is not, however, the amount of resources but how they are used – and this is the weak point in Russia.

If we consider oil and gas, these have almost alone guaranteed economic growth for the whole country and increasing incomes for its citizens during the last 15 years. Energy exports have filled state funds and have given opportunities for economic investment and welfare policy reform, as well as for the government's other priorities, including the reconstruction of Russia's military power. Mining and the metal industry complement energy production. Also Russia's wide forest areas in the central and northern regions, and fertile agricultural lands in the south compete with any other country's similar resources; these have not been prioritised in Russian economic policy, however, in the same way as energy production. Nevertheless, they are important at the local level, where access to these resources is crucial for the local population and local entrepreneurs.

Since the fall of oil prices in 2014, Russia has met a new challenge. The price fall revealed how weakly Russian industry has advanced in processing other raw materials and in constructing a high-tech industry based on scientific innovations. This problem has emerged in the middle of international conflict caused by events in the Crimea/Ukraine. Selling raw materials and buying processed products is a vicious circle which has been experienced by many other resource rich countries besides Russia. When incomes depend on raw material exports, price fluctuations in the world market have a direct influence on the country's economy: on export incomes, on employment in the export industry, on taxation income and state budget revenues. This is exactly what has happened in Russia.

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On the local level the question of resources is acute. In Russian villages and small towns, natural resources are the obvious target and means of small-scale economic activity. Trees in forests, farming land, sand, stone, sweet water and aesthetic landscapes all give opportunities for economic activities, when other necessary preconditions are within reach. On the one hand such preconditions concern regional and local governance; on the other hand is local actors' educational, cultural and social capital. One needs to have relations to the local community and to partners or stakeholders outside it. A farmer without connections to a market is powerless and doomed to call a halt to production. Even the easily implementable activity of picking berries can only give a good additional income if one can connect with the consumers.

Chapter 2 will document some features of privatisation: how some individuals tried to bring local resources into use, how some state farms were transferred to the market economy, and how forest companies, when privatised, renewed their company-community relations in varying ways. Furthermore, circumstances and changes in some places from 2000 to 2015 are reported to reflect different types of development, based on different access to resources.

Local authorities

In present-day Russia, as in the time of socialism, many people at the local level are trying to solve the common problems caused by centralisation and other systemic structures of society. These people work in different positions in society and using a variety of opportunities beyond their official duties and responsibilities. It is possible to find such people in local administration: they can be innovative, energetic, skilful and respected by the residents in the community in question.

Regional and local administration faced great challenges in taking care of local necessities during the tightening economy in the 1990s. The reform of local administration in 2006 changed the situation and the new lowest level of local administration received their own budgets to take care of local questions. Interestingly, some of the higher positions in the new administrative level were often filled by women.

The role of administration to support or to complicate the establishment of companies can be seen when comparing two communities, one of which has several new types of firms (tourism, berry picking, clothing) and the other which could not facilitate new companies while trying to protect – in vain – its old work units in the timber industry.

Relations between companies and authorities is a crucial question. Because of a chronic lack of funding for local needs, community leaders have to use different methods to fill the necessary needs. This leads to the mutual dependence of authorities and companies as well as other possible donors. Local companies have widely accepted such a duty, but the consequences of this situation may also lead to bribery or corruption in one form or another, as well as to unfair competition. It always means a burden for the companies that have to spend some of their profit to finance urgent local needs.

Entrepreneurs

Russian society differs from other undeveloped societies because of its high educational level. Men and women in the peripheries as well as in centres are relatively well educated. Another contradictory feature is the Soviet past, which still has a strong impact on many features of society. The Soviet system had no market mechanisms; instead, the relevance of the different industries was decided on a political basis by the Soviet leadership. High priority was given to energy, heavy industry and military production. Low or no priority was given to light industry in consumer goods production, health, the services sector or agriculture. As consumers people had to adapt themselves to the weak supply and try to find ways to fulfil the needs of everyday life. To get through such situations, many Soviet citizens developed skills and capabilities analogous to entrepreneurial skills. Small entrepreneurship occupied its own space in post-Soviet Russia in local trade and non-prioritised industries, where it neither challenged the interests of big money nor awakened great expectations to contribute to the needs of local and regional administrations.

Some of these entrepreneurs will be met in Chapter 4. They have succeeded in developing business activities out of nothing, starting from small-scale trading in oranges, pasta, clothes or vodka, and on finding firmer ground, moving from the grey economy to register their companies officially. It is commonly found that some companies are active in rural municipalities, and in smaller towns one can find business clubs which act as interest organisations, advisory centres and networking nodes.

Solving social problems

To speak about social problems in Russia is to speak about poverty and well-being: unemployment, the conditions in housing and healthcare, high death rates, lost opportunities in education and the socialisation of new generations. In order to achieve well-being, one has to get rid of poverty.

The collapse of the Soviet system, the end of the planned economy and privatisation did not bring forth a functioning economic and social system but a vicious downward circle in economic and social terms. The best known outcome was the catastrophic fall in life expectancy for men. During the 1990s social problems cumulated and anybody could be poor. Families and relatives tried to help each other while small-scale farming and gardening was one way to get food. Many houses were burned down by accident and local people collected help for newly homeless families. At that time poverty was accepted but as income levels rose the situation changed. People interviewed after 2010 would often state that there are no poor people except for some who simply do not want to work.

This thought is presented in its extreme form by Nobel Prize winner Svetlana Alexievich (2015: 23) in *Secondhand Time*:

Our fairy tales concern fortune, sudden luck. They are about waiting for miraculous help, for fried sparrows to fly into your mouth ... about a stove

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which bakes pancakes by itself and a golden fish which will fill all the wishes you have.

A remarkable change in state policy took place first with the reform of local administration and soon after that with large-scale ‘National Priority Programmes’. We take a look at the implementation of these programmes: do they improve the well-being of local residents in villages and small towns? Are they just promises on paper or do they really open new opportunities for local people to find better living conditions?

Local administration reform acknowledged the importance of small administrative units to organise services and activities at the very lowest local level. The National Priority Programmes were to reform social structures with four focus areas: health, housing, education and agriculture. They were an answer to two decades of misery, most of all to the decreased life expectancy and also the deteriorating housing conditions and infrastructure. The programmes aimed to blow new life into schools and houses of culture and put limits on dependence on imported food. The pensions and salaries of teachers, doctors, cultural workers and social workers were raised. Villages were attached to these programmes not only as a site for agricultural production but other type of enterprises were also addressed and local communities could apply for funding for improvements in their infrastructure. Federal funding has been flowing down to family houses and other new buildings. We will observe some achievements of social policy programmes, for instance the renewal of the children’s home institution and the shift to a policy of foster families.

The increased funding started from 2007. New estimations are needed because of the critical situation of the Russian economy in 2016 and in the last chapter we update the situation as at the turn of the new year.

Coping, agency and development

In Chapter 6 we will first summarise the conceptual tools used to describe different types of action related to development, and secondly take a look at some models to promote local development. The three types of action are coping, facilitative action and strategic agency. Coping with everyday problems is an individual effort, with the aim of surviving from one day to the next. Strategic agency is what entrepreneurs among others do when attempting to change the situation in a qualitative sense. Facilitative action, on the other hand, does not aim to lead to any direct personal benefit but facilitates the emergence of common goals such as meeting places and sports fields, for example. It constructs social space for local people to communicate, and in that way to increase social capital and opportunities for further steps. Agency, in turn, is such a step, an action keenly related to development. The rest of the chapter presents different kinds of local development effort in Russia: first two Western projects; then a Russian local model, so-called TOS⁵ funding; and finally the activity of foundations with an orientation towards local development.

As important as the above-mentioned reforms have been in Russia for local society, they include the paradox that only very restricted material resources were

given to cover their objectives. The funding has to be complemented with other sources. Therefore local activity is necessary, and the willingness and competence of local civil servants is crucial to reach the potential promises of the programmes.

These reforms opened a window for local people to act to gain improvements. Nevertheless, these reforms did not change Russia's nature as a hierarchically organised and controlled society, where development is understood to be given from above. Another kind of concept of development has traditionally been applied in the Nordic countries, where a lot of responsibilities and resources are delegated to the grassroots level in the hope that local innovations can be diffused into society at large. The possibility for a 'Nordic' type of local activity in Russia was monitored in connection to two grassroots level projects in Russian Karelia and Archangelsk.

The 'Ladoga Initiative' was an EU-funded neighbourhood project between Finland and Russia from 2011 to 2013 while the SIDA project (1999–) had Swedish funding. In both cases grassroots-level activity was supported. While civil society is often criticised for being very weak in Russia, both of these projects indicated that local society was able to solve concrete problems, and was doing it quite well with few resources.

Civil society is not organised in Russia to the extent found in Western Europe, but there are both official organisations and informal groups and networks. Russia has its own history of civil society, which dates back to the reforms of the Soviet system after Stalinism. In the 1960s associations such as women's councils, writers' associations, associations of artists, war veterans' associations and nature protection associations among others were established. They were centrally steered and controlled. During the 25 years after the fall of the Soviet Union, new civic organisations have emerged and experienced both ups and downs. When coming to the more recent years we meet simultaneously the government's increasing attempt to control civic associations as well as explicit wishes by the same government to activate citizens and to support local initiatives. The dividing line goes somewhere between politicised activities and constructive social and cultural initiatives.

The tolerance and willingness of the state to support local initiatives is presently tested by the TOS movement. Some Russian regions are experiencing a boom of grassroots-level activities in local associations, called TOS, meaning a 'self-managed local association'. A TOS is based on the common will to jointly carry out a concrete project. It is also a special juridical form of local collaboration in Russian law. Both Western-funded projects and TOS activity indicate that people in local Russia are able to construct projects which facilitate social capital and empowerment. This is a step towards the improvement of local circumstances.

The other Russia

Russia is a huge country of 83 regions with quite a strong dependence on the federal state, even also some autonomy. Some of these regions are quite

specific – Moscow first and foremost, but also St Petersburg and some rich oil and gas producing regions. There can be said to be considerable differences between the richest and the poorest regions. However, if we leave the above-mentioned special cases out of the calculation, then Russia has about 70 regions with rather similar economic performance. This is because Russia's politicised economy functions in a similar way throughout the whole country, and structural challenges and available choices are quite similar across the country.

This chapter highlights some of the central aspects of regional development and regional policy, with the aim of giving background to the local level analyses. After the renationalisation of energy resources, Russia took the opportunity to reorganise the state's economy and policy. Funds were constructed to improve demographic balance, to take care of economic stability and to increase the well-being of Russian citizens. The regional policy has flattened differences in incomes and social problems around the country. The local administrations everywhere have a similar context in which to act, and somehow each place in Russia seems to be far isolated from its neighbours and other places in a similar situation. To summarise, the framework in which Russian localities exist and act has strong systemic similarities, thus the local cases presented in this book are examples of typical processes, which might have happened almost anywhere in the big Russian Federation.

The annexation of Crimea by Russia and the war in Eastern Ukraine since 2014 puts into question the persistence of all the positive steps taken in Russia so far. In parallel with the effects of falling energy prices came the Western economic sanctions and the increased military expenditures, which started to eat into Russia's budget incomes and capital reserves. In 2014 and 2015 only minor indications of a changing situation were to be seen at the local level. Local funding had not yet been cut and what would happen next was only guesswork: what and how much would be cut in the next budget? How will entrepreneurs cope with decreasing business with European countries? A group of Ukrainian refugees had arrived in a Karelian village. And local people prepared to start the struggle once again to decrease consumption and muddle their way through the crisis. Whatever happened, it took place in the shadow of increasing international tension. During 2015 alarming economic messages warned that Russian reserve funds were being used rapidly, that they might perhaps last out only a few more years. Increasing oil prices might turn the crisis, but few experts if any believed in such a turn.

Our visit to Russia in April 2015 took place in a more tense atmosphere than earlier visits. Also during this visit we were able to see the marks of remarkable local development in the last ten years, but additionally a changed attitude among some public officials towards foreigners.

Notes

1. Compare with Shanin and Nikulin (2012) and Zubarevich (2012).
2. The local centre for cultural activities and events.
3. The Russian administrative system has two levels of local administration in rural areas: the municipal district (*munitsipal'nyi raion*) and the rural settlement (*sel'skoe posele-nie*) (Kulmala 2013: 84). Both Russian and English terminology varies according to

different writers. In this book we use ‘district’ to refer to the higher level of local administration and ‘lowest-level administration’ or ‘local municipality’ to refer to the lower level of local administration. When using, for simplicity, only ‘municipality’, it refers to the lower level of local administration.

4. A town with one or a few industrial units. In the countryside industrialised villages have the same features on a smaller scale and are called in Russian terminology ‘urban villages’.
5. *Territorial’noe Obshchestvennoe Samoupravlenie* – see further below.

2 How to get resources into use

‘Nobody wants to work in agriculture because it takes too much time, they want to make money rapidly and can do it in forestry.’

(Andrei, head of fire protection, 2011)

‘Anybody with access to appropriate equipment could go out and cut down trees, with or without permission – who cares?’

(Boris, entrepreneur in forestry, 2006)

Starting from scratch

Zhanna started her business in the village where she was born, a district centre with some 9,000 inhabitants, situated 600 km from the regional capital. As a teenager, she had already dreamed of starting her own business. Anxious to carry out her ideas, as soon as she had the possibility in 1992, at the age of 19, Zhanna took over sewing machines from the textile company where she was working. She took a loan to buy all the equipment she wanted from the state-owned company at a very low price, since it was about to close down, and she also took over the ten employees. She registered her firm in 1993, producing traditional clothes as well as working clothes. Her business started carefully, getting help and money from her husband working in forestry and producing only on the basis of customer orders. In twenty years she reached a stable position, finding markets also in a larger city, and in the end she moved to that city, keeping also a production unit in the original village. This young woman became one of those who benefitted from privatisation reforms in the early 1990s. Others started more or less from scratch.

Margarita, a hotel owner in Lopatino, a small town of 14,000 inhabitants, is one example of the latter track. A teacher at the time, she started her business by selling oranges and ice-cream in the early 1990s. Her story gives a feeling of what the situation could look like, how it all started from the street vendor, how she developed step by step and how she survived economic crises and did everything to avoid bribery. We will provide her story later on in this book. Another woman, running a tiny little shop by a sports field on the outskirts of Lopatino remembers

Margarita quite well. In the early days of privatisation they used to sell oranges on the market next to each other. We also heard her story – she not only described the ups and downs she had gone through with her business attempts, but also her whole life story.

Alexandra started her trading business also at the beginning of the 1990s, and has expanded gradually since then. For a couple of years she ran the business with her husband but since 2002 she has been on her own, selling tobacco, food and alcohol. Earlier she had worked at the post office as an accountant, but lost her job. At the time there was a public programme which gave all citizens of the region a voucher, including small children. With one child in her family, they got three vouchers. She sold them, went to Moscow, bought some item, for example umbrellas, came back and sold them at a slightly higher price. She continued that way. This was one way to survive for many Russians in the 1990s, and she described how they all had the same kind of bags for transporting things on the train.

Getting access to timber

In Karelia, Archangelsk as well as the Nizhny Novgorod region, some people have built up forest processing industries, but many others simply got involved in forest logging to get money. It gave ‘quick money’, and was one way to get the capital to start a new business or to invest in a business that was already running within the family.

Dmitry wanted to start a dairy. In order to earn some capital to get started, he borrowed money from a timber harvesting company and signed a contract with the company to deliver timber. He was then unable to fulfil the contract. The situation he ended up in, he remarked, was ‘similar to serfdom’, as the company took over his machines while he himself had to work eleven hours a day. Only after many years of heavy work in the forests could Dmitry pay back at least some of his debts.

Yuri got involved in logging to get timber for building houses. In 2003 he had already built a restaurant and a church in the community centre from timber. He continued in 2008 to build a ski centre with funding from the region. Mikhail started a successful entrepreneurship with two empty hands – as he expressed it – grabbing the opportunity to extract timber. He was one of those *Komsomol* leaders who were able to use the possibilities available at the right time. He got access to forests and used this resource to build up timber processing factories over the following years, but he also used the resource to improve the quality of life in his own village and in some neighbouring villages, being an important agent for improvements in his community as a whole.

Boris is one of those who had problems due to the fact that all the forests were in the hands of bigger companies. He had to trade with them, but he got himself access to a logging site located quite far away. The question of how to distribute harvesting rights is sensitive, and Boris did not want to get involved. But he knew about a son of one of the officials in the administration who got access to

important harvesting rights with his father's help. Another man went to the authorities to make a complaint on the case, but instead of support he was fired.

Igor returned in the 1990s from Siberia to his home region. He had been in military jobs but settled down in a rural community where his father and brother lived. He managed to establish a company that owned a sawmill and built timber cottages. In 2002 the company was in full swing, employed enough workers to have its own football team and made enough income to invest in a piggery and to build a holiday resort consisting of new wooden cabins by a lake.

For all these men mentioned above, forest was the resource which gave them the opportunity to make rapid profits to be invested into further business activities. To use the forests legally one needed to rent an area of forest from the local administration. However, many would cut trees in distant forests and at night without permission. Although this was illegal, controls were weak, and the logging and transportation of timber could be done rapidly.

Bankrupt *sovkhoses*

Vershim

Vershim is a densely built village on a sandy cape located by a large lake. There is a closed fish factory, which earlier provided work for almost everyone in the village. In the 1990s the production was centralised to the main company and this unit was closed. The harbour belonged to the *sovkhos*¹ but in 2004 some private entrepreneurs were already using it. Fish could have given food and work for many more, but legal rights for fishing were strictly restricted. Some men in the village solved unemployment by working in St Petersburg or in other towns while their families stayed in the village. However, commuting every day was not easy – the trip by car to the district centre took an hour, and the trip to the regional capital a couple of hours. Fuel was too expensive to be paid out of small salaries. Many villagers remained unemployed, growing potatoes and some other garden products on their small land plots, the elderly also receiving a small pension as well. The village is a part of a large municipality. The administration and most activities are concentrated in the main village as well as the *sovkhos* headquarters, and there is also a big old people's home and a school.

State farms were centres of economic and political power in villages all around the Soviet Union. Such used to be also the *sovkhos* in Vershim. The farm had cattle and fur animals, a construction department with a sawmill, as well as a hotel with a sauna and a small swimming pool. The director (interview, 2004) had made a remarkable career in farming during the Soviet time and had even studied for a period in the United States.

The research team visited the farm for the first time in 2004. In the district capital the mayor had wondered why we wanted to visit this farm in particular. There was nothing to see, choose another *sovkhos*, was his advice. But we had decided to study this one, whatever it was. We took a local taxi to drive us there. The farm was in bad shape. Salaries were not being paid to the fur animal workers

and they were making preparations to strike. The farm could not afford fertilisers and the leading agronomist declared that he was going to quit his job. The farm had recently been reorganised in such a way that fishing activity was privatised: the boats had been renovated but because of debts they were privatised and sold on. It seemed to be that they were bought by the director's family. Now the *sovkhos* owned the dock but not the boats which used the dock (interviews: farm director, agronomist, two female workers, 2004).

We also met the previous deputy director, Vladimir (interview, 2004), who criticised the management style of the farm: 'new brains and new working patterns are urgently needed'. Vladimir moved here in 1984 from a village in another region to find a better place to live for his children: the village had a school and a kindergarten. He started to work in the *sovkhos* and after 12 years on the farm he worked for eight more years as the chief of the fire station. Vladimir personally selected all the workers at the fire station and had good staff divided into four teams of four men each. According to him the monthly salary was around €120–130.

When Russia's political system was changing in the early 1990s,² Vladimir was building a new house. From 1991 to 1993 he was cutting trees and carried out the building, hiring some workers but doing a lot himself. Now his wife was already retired and he also had a pension, but he continued working to get enough income. The pension age in northern parts of Russia is low – at the time of the interview he was only 57 years old. He mentioned that his neighbour was building a house, and at that time it was possible to get support from the state. It was given to be able to finalise the construction, after having built around 60 per cent of the house. Of course, at first he had been obliged to provide a lot of documents.

Vladimir described the present situation on the farm. These were hard times, salaries were very low and people did not receive them regularly. The farm had been bankrupt for a long time, but this situation had not been declared officially. Vladimir was critical of the director who had managed the farm for 26 years since 1978. His mentality was still from the old communist times, while others had already changed their attitudes. Vladimir described it with the words 'shouting, waving fists and giving orders ... One has to have the skill of working with people, explaining things to them and proving one's point of view.'

In the smaller village the school was closed soon after our visit and teachers were left without work. Unemployment, poverty and alcoholism were coupled with crime. Anna from the local women's council recounted that there were three men who used to tittle together, and once when she was away travelling, they had stolen her washing machine and boots. She could guess who were guilty and rushed to check their house. Yes, she was right, her washing machine was there. The boots had already been exchanged by these petty criminals for vodka. Later we asked the local police what happens to such criminals. He explained that they can only be kept overnight in jail, but they have no income nor property to pay compensation, and if they do not commit any serious crimes they are let free the following morning. Then life continued as normal in this poor but beautiful village (interviews: three women from women's council, local police, 2004).

The director had even closed the sawmill and its electricity was disconnected. However, when we visited the building it was in use and four men were making something inside. They explained their situation: they were not getting a salary, but had refused to leave their jobs, and the director, for his part, refused to fire them from the job. It was an unresolved quarrel of incomes, rights and responsibilities. They were not allowed to work nor to use electricity nor the tools of the farm, but they came here on their own, without permission, having the 'moral right'. This was because, tragically, they were building a small arch for a dead child. Our conversation took place around the table on which the arch was lying, and it was all too serious; this small wooden arch symbolised the hardships of the people in the 'other' Russia since the time of *perestroika* (interview, four workers, 2004).

Siberian *sovkhoses*

Privatisation took place across the whole of Russia, in European parts as well as in Siberia. Soviet power had succeeded in building collective farms also on permafrost areas of the Republic of Sakha (Yakutia).³ In the central part of the republic, an animal farm was privatised and its property was divided among 1,300 people according to the number of years each had worked in the enterprise. Some of them continued to work on the farm, and in April 2005 the farm had 340 workers left. The production of the farm was reduced to a half. There were 720 milking cows and the cowsheds and all activities were mechanised but the machinery had not been renewed during recent years. The machines did not work well, there was no feedstuff to supplement the hay, and the production of milk was on the decrease. Soviet time animal production was partly based on the import of feedstuff from other parts of the Soviet Union and now such trade was interrupted (Granberg *et al.* 2009). Two years later we were told that most of the farm's activities had ceased and only a smaller cooperative unit continued production. The regional government had made new plans to safeguard the food supply in the region. Cattle and new machinery were bought from Western Europe. However, eight years later this plan appeared to be unsuccessful as well: the circumstances in the region are too harsh for Western cows to survive (personal communication, Juha Kantanen, June 2008, February 2016).

In the northern part of Sakha, a *sovkhos* had been set up in three villages, forming a district (*ulus*). The state farm collapsed during privatisation. In 1992 the authorities ordered the state farm to close and to establish a cooperative farm instead. A local veterinarian was critical that they started to ruin the state farm by giving orders from above and that there was no discipline and no salaries. People started to divide the farm into shares, starting with the reindeer in 1994–5, then the horses. 'It became clear that as soon as the reindeer were divided, none of them were left alive. They divided horses and again, none of them were left.' This procedure threatened the survival of the whole village, because there were no other industrial activities. When the time came to divide the cows, people objected, and therefore the cattle were saved. In the end the state farm cattle were never divided. Nevertheless, those years had been extremely difficult and there

was even a period when children were moved from the villages to southern parts of Yakutia to fare better (Granberg *et al.* 2009).

Soviet farms had covered most of the local services and these services were now reduced in the villages. The director of the reindeer farm said that in 2005 the farm had lost two-thirds of its reindeer since the 1980s and how their building activity had diminished. In the Soviet era, they had built ‘the headquarters of the company, a club house, the school and a heating plant ... Now we build only barns and huts for reindeer breeders.’ In the smallest and the most isolated village the state farm closed its unit and the animals were divided among the workers and pensioners. The closure had severe consequences for the local community and migration caused a lot of further problems for the village. In other villages farms were in trouble, even if they were still working – they could not pay salaries. A woman working in the cowshed stated that she had not received a salary for two whole years. As her brother and husband both worked on the same farm, they were in big trouble. Her husband travelled from time to time to the north to work there. She had to borrow money and could buy food on credit from the shopkeeper. In spite of difficulties even this family managed to survive and in the end she received the salary covering the entire period of unpaid work and paid back her debts.

Both households and registered private farms kept cattle, the difference between them being quite small. Some of the private households in the region had larger cattle herds than some of the registered farms. A young woman had registered a farm in her name. She took care of cows and her husband of horses. According to her it had not been difficult to get registration. Registration entails some obligations for farmers, like taxes, but some benefits may also follow: in this region horse-owners got subsidies if the farm was registered (Granberg *et al.* 2009). Later we were told about a new farmer, the grandson, who registered the farm which was already working unregistered and which was quite large. To register the farm he needed the certification of taxation and a passport for himself, among other requirements. We were told it would take two to four weeks to get any certificate and one to three months for the whole process. Additional problems were that there was no bank in his village and no roads to the neighbouring villages. However, a bank account was obligatory to be able to pay taxes four times a year. In this case, his relatives in the main village helped him to make the payments (personal communication with district’s agricultural official, June 2008).

New and old efforts

When farms were privatised, the workers and pensioners got vouchers according to such principles as the length of time they had been working. However, voucher recipients could not imagine the future value of vouchers, and in the time of crisis most of them were ready to sell them as long as one could get something for the piece of paper. At that time, the market economy was not working, products could not be sold or when sold, they were not paid for but exchanged, and as a

consequence, workers got very little salary for their work, if anything. Simultaneously, there was a greater need for money than before: for electricity, for children's education, for car fuel, etc. Sometimes the voucher was sold (or given away) to avoid land taxes. As a consequence, vouchers were sold cheaply even if keeping them would seem to have made more sense.

Quite a few of state farms were closed, others went through bankruptcy and changed ownership and tried to reorganise farming in a more productive way. The rest continued production more or less unprofitably, having too few resources to implement any strategic improvements. Differences between Russian regions were remarkable, naturally. In Karelia many private farms were established on paper in the early 1990s but only some of them really started production. In Sakha private farmers produced twice as many agricultural products as in other areas on average in Russia. In southern areas agriculture and horticulture continued more widely, while investors from Moscow and even from abroad were moving in. Grain production recovered in 10–15 years while in the north, cattle production and above all milk production collapsed and remained below the national consumption level for 25 years. Also great swathes of agricultural land were abandoned in the north.⁴

Family farming became possible but only a few wanted to begin this type of farm. On our travels from 2002 to 2007 we could, at best, find one family-based farm per village. They were small and they had to work hard to produce, build and market their products. According to the statistics, registered private farms contributed only 1.9 per cent of Russia's agricultural production in 1995, 6.1 per cent in 2005 and 10 per cent in 2014 (Rosstat 2016).⁵

While private production did not emerge on a large scale, villagers in Russia produced as much basic food on their small garden plots as possible.⁶ Only weak health or alcoholism – it was often said – could hinder this type of production. Villagers preferred to keep their agriculture on a very small scale because no investment possibilities or marketing channels existed. Production was restricted to what was possible in the gardens around their houses or on a plot of land somewhere close by. Many had a couple of animals giving milk, eggs or meat for the family. In the times of poverty and coping in the 1990s this was necessary for many just to get enough food, and even people from the cities came to the villages to produce food. Town dwellers also used their *dachas* (second houses or cottages in the countryside) or they worked together with their rural relatives to produce at least potatoes and some vegetables for the winter. When times became better after the year 2000, the urban population cut back on farming and many rural households gave up keeping cows and other larger animals and concentrated on cultivating potatoes and vegetables.

Company–community relations

Forestry and forest-based business have an important role in many regions of Russia. Each forest company (*lespromkhoze*) was responsible in the Soviet era for keeping the community in which it was located in good condition, which meant

close cooperation between local authorities and the company. This was very important because these companies were often located in distant places and were often the only company in the settlement. Companies provided infrastructure such as roads, a heating system and a water supply, as well as houses and a variety of social services such as kindergartens, shops, healthcare centres and cultural and sports facilities. The situation was similar to that of the agricultural farms (*sovkhoses*). These were made economically possible by the Soviet state, which provided state companies with the financial support to carry out their social tasks. When the planned economy system collapsed, the economic circumstances of companies weakened and these tasks became a burden to take care of. The state was still supposed to give some financial support to the newly privatised companies for this purpose, but in practice it was incapable of covering the costs (Tulaeva 2007). The situation was far more difficult in agriculture, but even numerous forest companies went bankrupt during the 1990s, which often led, however, to a re-establishment of the company extricated from problems with debt (interview, former *sovkhos* director, 2015; Matilainen 2013: 46).

Juha Kotilainen *et al.* (2009) have analysed the impact of privatisation on four logging companies and on their respective communities in the Archangelsk and Vologda regions. All of these companies had a Soviet past since the 1950s or earlier. Three of them were located in villages, where they were almost the only working opportunity for local people, and one was located in a small town. All the state companies were reorganised into joint-stock companies in the early 1990s⁷ and all of them were selling round timber to international markets. One of them went bankrupt twice before its activity became viable and it continued in the ownership of a Russian company, free of debt and with formal responsibilities to maintain the infrastructure in the settlement. Three companies have acquired a long-term forest lease for 49 years, which has stabilised their economy compared with the fourth and smallest one. It was not able to lease forest for periods longer than five years and experienced severe difficulties in stabilising its activity. Two of these enterprises do not pay significant amounts of taxes into the district budget, while two others pay more: taxes cover 46 per cent and 70 per cent of the budgets of their respective districts.

Paternalist relationships of the Soviet era have not completely disappeared, although they have been undermined. The three larger companies have retained the ‘Soviet idea’ that in the north the enterprises must, for example, provide the population with firewood either for free or at very low prices. Also one enterprise has a long-term social programme and another is preparing a similar one. The programme’s aim is to support professional education of new workers, and promises to recruit them only from the local population. This means a refusal to hire teams of loggers from other regions of Russia.

While these four settlements were winners in development, there were others which lost opportunities to work in forestry and the consequences were dramatic. Rannikko *et al.* (2015) have studied a forest village in Southern Karelia, which was established in 1949 like 340 other forestry villages to produce wood for the increasing needs of the Soviet Union. The forest work unit (*lesopunkt*) took a lot

of employees especially from Belorussia, and the village grew rapidly, reaching over 1,100 inhabitants at its largest. During the Soviet time forestry had been rationalised and when the system collapsed, the village population had decreased to 400. After that forest work and timber transportation have been reorganised and given to companies using migrant workers. In the 2010s a team of eight Ukrainians worked in the forests, staying in the village for three-month periods and having time off for four to six weeks, during which they would visit their families in Ukraine. The population decreased in this village to 125 in 2010 and also the role of agriculture diminished. In the 1990s the households produced their food mostly by themselves, but no longer in the 2010s. The number of potato fields from 1995 to 2014 decreased from 250 to 29 and the number of cows from 32 to eight. The village was changing into an environment of elderly people, summer residence and free-time activities.

The importance of forestry for local development was also clear in Verkh-Borovyanka, which was established in the same way for Soviet needs but in more distant forest areas. During twenty years of market capitalism, the forests near the village started to be cleared and local entrepreneurs had started to lose the right to use forest land because in auctions they could not offer enough to rent the forests, and because they did not have vehicles heavy enough to transport the timber from distant forests. The local head, Vasili, blamed the district authorities for the situation, and complained how companies from Moscow and St Petersburg came to collect timber resources and did not leave anything but the routes their vehicles took through the forest and a broken bridge in the village caused by their heavy lorries. The repair work was left to the local authority (interview, local head, 2013).

In the urban village Gagino⁸ in Central Russia forest enterprises were still strong. They were building summer cottages for *dacha* owners from Nizhny Novgorod and Moscow among other places. Those who were working in forestry could get high salaries (in local comparison), which meant the possibility of getting a loan from the bank in order to build their own houses (interview, local head in urban village, 2014).

Forest is a different resource than agricultural land. Investing in agriculture is a long-term operation. Cultivation takes time and investments give profit only in a longer perspective, and even then uncertainty is great because of changing policies, the weather and human factors.

Falling incomes and increasing poverty

The collapse

Few could have foreseen that the process of moving away from a centrally planned economy would have such a significant and negative impact on well-being. In contrast to frequent predictions of a smooth 'transition' away from state socialism with a short period of material hardship, the socio-economic transformation was protracted, painful and caused a long-term reversal to the well-being of the population that is still felt today.

The collapse of economic output along with ‘hyperinflation’ eroded individual wages and savings and resulted in a dramatic and rapid decline in living standards for many people. The regional distribution of industry in the Soviet Union, which stemmed from political decisions rather than economic considerations, meant that Russian domestic production suffered also from the collapse of trade connections between the former Soviet republics. Furthermore, industry consisted of large state companies in non-competitive locations. Privatisation of such local companies took place before they were restructured. In many towns only one major employer remained, and this led to wide variations in the decline of employment opportunities at the local level.⁹ As even major companies often closed down, many former workers got caught in the poverty trap and could not afford to move to other places (Andrienko and Guriev 2004; Bornhorst and Commander 2006).¹⁰

The Russian economy fell all through the 1990s until the rock bottom years of 1998–9. However, the mass unemployment which was expected by many Western scholars never occurred. Nevertheless, local authorities from time to time had to deal with considerable lay-offs of employees in agriculture, forestry and most industrial sectors apart from energy production.¹¹

The starting points for this crisis were peculiar, above all because of the long socialist period. Extensive social investments during the Soviet era meant that literacy was in the end of it almost universal and well above the rates found in other countries with comparable levels of income per head. Unemployment was unheard of. The Soviet ideology defined poverty as a social phenomenon associated with ‘deviant groups’. Subsidies were allocated to particular groups based on social characteristics according to strict centrally set rules (Yates 2004). These groups included single parents, families with many children, and persons with disabilities, war veterans and pensioners. However, the comprehensive welfare system established in the Soviet Union came under intense strain from underinvestment and extensive societal impoverishment as a result of repeated economic crises from the early 1990s onwards. Poverty became notable for affecting working adults and families due to low wages and a widespread failure to respect employment contracts, which led to the pervasive practice in the 1990s of wages being paid in arrears.

The severity of the situation was highlighted by the decline in life expectancy, primarily owing to increasing mortality among young and middle-aged men. In 1994 male life expectancy in Russia was just 58 years, two years below the Russian male retirement age, and seven years lower than in 1987 (Vågerö 2010: 24).

Starting from scratch

The collapse of the Soviet system, the end of the planned economy and privatisation did not bring forth a functioning economic and social system but a vicious circle downward in economic and social terms. During the 1990s social problems cumulated and urged ad hoc and often local solutions. While new solutions were lacking, the old ones – as a heritage from Soviet time – were utilised and adapted as far as possible, strengthening the continuity of cultural aspects in changing economic circumstances.

Over the past 25 years Russia has attempted to regain its pre-transition levels of well-being, while contending with many new challenges. Russia has largely managed to avoid catastrophically low levels of well-being, albeit perhaps more by chance (namely the rising prices of natural resources) than deliberate policy action. Nonetheless, levels of social welfare are fragile. The resources and engagement of many citizens have been eroded by repeated shocks, and subjective indicators of well-being have from time to time been pessimistic, with citizens being fearful about future material and health needs. Almost 30 years after the start of Gorbachev's *perestroika*, the Soviet heritage continues to have impacts on various development trends in contemporary Russia.¹² Many changes are on the way, although the economic system in some respects is still working as it used to.

In order to understand what is happening now in Russia, one important starting point is to identify the basic nature of the Soviet economic system. It has been defined by Janos Kornai (1980) and his followers as an *economics of shortage* with dramatic differences between priority and non-priority industries, and these features still seem to have a strong impact in Russia after socialism (Davis 1988 and 1989; Ericson 2009; Gaddy 2007; Sätre 1994). Also, the writers find the institutional approach useful as developed by Douglass North (1990) and others, differentiating between formal and informal institutions. However, the question of agency is partly open in this approach. Amartya Sen's (1984) capability approach, originally worked out in studies concerning developing countries, is helpful in this respect.

Federal state policies have brought into force changes, reforms and decrees which embrace all of Russia. In the following chapters we will ask whether reforms have implied new possibilities for the Russian population, and how can the new possibilities be used? It appears that activity at the local level matters. But who are the actors? In local settings local authorities and big businesses are generally mentioned to be the most important actors (for example, Ledyavev *et al.* 2014).

There is a general belief that as Russians are quite used to coping in different situations, they will survive thanks to their plots and picking berries and mushrooms. And, especially in villages, the population is thought to be rather passive (Zubarevich 2015a). As will be shown in the present book, such a view undermines the willingness of local people to change the situation. The research team has met many small entrepreneurs, and has witnessed entrepreneurs, staff of the local administration and ordinary people's attempts to improve life or to cope through a hard situation; we heard about both successes and failures. Many improvements at the local level could be recorded, especially in 2005–15. There are local places, including rural settlements, where people are really active. Many people are also relatively well educated, and those who start local groups often appear to be women in administrative positions, teachers and doctors. One common factor in interviews is the emphasis on personal factors.

Explanation in institutions?

Two main types of explanation regarding the failure of reforms in Russia have been advanced in the literature. One explanation is that the 'shock therapy reforms' as such were designed the wrong way or simply did not go far enough

due to the lack of well-defined property rights (de Soto 2000; Leeson and Trumbull 2006; Roland 2002). The other approach analyses the development of informal institutions as a key to explain why changes in formal institutions have not led to the intended results (North 1990). The second line of thought will form the point of departure in the present book.

According to North (1990), although formal institutions in the form of laws and regulations have changed as a result of political decisions, informal institutions, such as behavioural norms, are not likely to have evolved to the same extent. Two main reasons for this can be identified. Either the informal institutions change more slowly, or they are more deeply rooted culturally and change barely at all or in a direction other than that intended by policy-makers. The latter aspects are directly related to how people react or adapt to reforms. They are also connected with the type of organisation individuals have formed and their faith in the enforcement of rules, norms, behaviour and attitudes.

North (2005) argues that the Soviet experience highlights the wide gap between intentions and outcomes and the fragility of the social order in the process of fundamental economic, political and social change. Samson and Ternaux (2008) go one step further as they argue that the Russian case of 'reform from above' is likely to create a broad distance between reforms and society, implying that organisations are moving within this broad gap. In the gap between the leadership's decisions about reforms (setting new formal rules) and society (with its ideology, values and mentalities), organisations develop their own routines with survival strategies.

The present book will show that actions and initiatives at the local level were not only possible, but they have also made a difference. We will see how municipal reforms opened up some new opportunities. And there were resources available, not only riches in natural resources like oil, forest and agricultural land, or berries and mushrooms, but also human resources, educated and skilful women and men. It is not enough that there are opportunities, resources have to be put to use. Some attempts in this direction and some results will be seen in the following description of six of the places we visited over a period of 15 years.

Places

Plota

Plota is a large district with a couple of former state farms, strong in the Soviet time but now losing their vitality and just trying to survive. This district has 13 sub-districts with their own administration. Each municipality has on average six villages and a population of almost 20,000 people in total. There are many ethnic groups and we have been told about attempts to revive their languages in schools and kindergartens: it seems that this is something local teachers really would like to do.

During transition the community developed foreign relations with twinned municipalities in Finland and Sweden and also with foreign organisations and people elsewhere. Many people started to study languages, because with their weak school English it was not possible to communicate. Quite a lot of

emergency aid was received; some individual efforts were made for a new start, but the situation was worrying as a whole. The old *sovkhos* in the central village was the main employer but its financial situation was weak. Another *sovkhos* in the northern part of the district used to be one of the largest in the region but soon after transition it was about to be closed – before a new owner emerged. A couple of small private farms were established, and two companies started taking promising steps, the first one in timber felling and cottage building, the second in aquaculture. However, the buildings and roads were waiting for better times to be repaired and the outlook of the village was grey.

Twelve years later, in 2015, the situation was different.¹³ A new hotel and two new restaurants had been built in the village. A brand new, big log house had taken the place of the old canteen. The new building was called an ethno-cultural centre; we had a meeting there with a group of local decision-makers and active residents, who told us about the situation. The community had won a regional competition and the prize also included funding to build this centre. Furthermore, the old house of culture could be renovated and some local centres in other villages constructed. Our hosts believed in tourism and wanted to market local handicrafts for tourists and others. A local foundation had been established the same year to support local development, not least to give help to those affected by poverty and to prevent social marginalisation of disabled people. They would be assisted, for example, by training them to make handicrafts. It is clear that the new foundation was also an important impulse to increase local communication and to offer a forum for joint development activities and projects (interview, woman leading the foundation, 2015).

On the other hand the *sovkhos* had not found a better standing – it was in difficulties because milk production was not profitable. The former director had had great merit in the past, but perhaps he had no more to give in the present situation. Nevertheless, he was still keeping an eye on local decision-making and was also a deputy in the regional parliament.

The change in the community over thirteen years was remarkable. Three entrepreneurs were good examples of progress: forests had given a good start for one company, aquaculture for another and the third one started as a small cattle farm. A sawmill was the stronghold of the first company, which had also tried to enlarge activities into tourism but had given up the plan; the fish farmer had transferred his company to his son and had moved into the hotel business in St Petersburg. The farmer in a smaller village nearby had enlarged from farming to tourism by building a small guest house for tourists. Tourism, by and large, was often mentioned here in discussions. It was a promising branch for the whole region, and this community wished to gain a good foothold in tourism. Landscape, nature and their authentic culture was a resource which could attract a lot more tourists, given that the infrastructure would be further improved.

Vershim and its lakeside village

Ten years after our previous visit, in 2014 the lakeshore village had a new holiday complex near the river mouth and, furthermore, a new hotel that was almost

ready. The cottages were modern, comfortable and isolated from the surrounding poor village with a high wooden fence. But things in the village were not in order. The school was closed, the teachers had become unemployed and children had to travel several kilometres to the school in the main village – too far for small ones to walk, and too short for arranging a school bus. One of the teachers was Larissa (interview, 2011), who had been unemployed for three years before recently getting a new job. She had two children, already grown-up, and now a foster child, the seven-year-old daughter of her cousin who had died when their house burnt down. Larissa explained that closing the school was very sad, because it had been the central meeting place of the village – concerts and meetings were organised there. Attempts to get some other use for the school, like a summer holiday camp, had failed – the administration was not willing to pay either for electricity or heating. The only activity which continued in the old school was boxing. A previous teacher was the boxing trainer for a group of talented young boys. Because the lights and heating were turned off, they could not train in the dark winter time. Three years later we heard that the trainer had moved the training club to a small town.

In 2014 the *sovkhos* was still in trouble, and now the hotel was closed. The fishery had had better results, but it was in the hands of a private entrepreneur. Larissa told us proudly about this young entrepreneur, who had even received an order to sell salmon to the Olympic Games in Sochi. The times were changing. An improvement was the establishment of a homeowners' association¹⁴ to take care of common issues among the homeowners in the village. It was an important addition to the weak network of civic associations in the community. Larissa was planning to construct a children's playground in the lakeshore village, as a place both for the small children and also to the pensioners and adults to meet and talk with each other. A young mother from the homeowners' association was planning a similar playground in the main village. These plans were implemented in two years.

Three unemployed female teachers from the closed school had found work. One of them was running the guest house, which was popular not least in the autumn, when people could drive there by car for a weekend and return to the city with the car full of berries and mushrooms. The second teacher was a 'municipal entrepreneur' taking care of houses and garbage collection, among other concerns; the third was the local head in this municipality. This demonstrated that education is a valuable resource in rural villages, helping people to resolve their livelihood. The small guest house opened in the centre of the village – and why not? Because of the natural beauty and the lake, tourism could be part of the solution for this district. Much had happened in the villages – one could see reconstructed and painted houses. After all the difficult years there are again a lot of children, and there are educated people like Larissa who want to improve the quality of life in the villages, as she said, not for herself nor for her children who are already moving out from home, but for her grandchildren (interviews: two female municipal entrepreneurs, 2012).

The impression from Plota and Vershim is that the strong *sovkhozes* helped people in both of these places to survive the most difficult times in the 1990s but

later the same companies blocked other options for development for too long a time. This blockage seemed to be about to end in 2011. While the administration in Plota had already at the turn of 2000 been active in finding new ideas for economic development, progressing from ‘tea-parties’ to concrete actions, the situation seemed much worse in Verшим, where the administration closed the school in an extremely poor village and, furthermore, hindered the use of the school building for other purposes. Here the resources were the fish in the lake, the trees, berries and mushrooms in the forests and the three female teachers, among others, who had been unemployed for a while and now had taken up responsibility for taking care of the local administration and services.

Klotskii

This district covers a large area in a forest-rich region, consisting of 16 municipalities which have their own administrations. It takes some 15 hours by train to travel here from Moscow. Luckily the highway has been rebuilt and in 2014 it was in good shape, the side of the road was clean and the grass on the slopes was nicely cut.

In Klotskii in 2014 forestry is controlled by a prosperous local businessman, Mikhail. There is also the house and furniture construction company which is owned by Yuri, while agriculture and the food industry are in the hands of Alexei. In effect the three most powerful entrepreneurs from 2003 are still the most important in this community. There was much talk about the need to process milk. And although this never happened in Klotskii, in 2012 a new dairy was opened in Startsevo, which provides milk for the local population. Besides the three strong businessmen, a couple of other enterprises also started activities some 15 years ago. Three of them are run by women and they have succeeded in developing rather stable business in new areas: tourism services, the design and production of textiles, and berry and mushroom products.

Zhanna started her textile business in Rossirovo, the district centre, but later cut down on her staff while expanding in a larger city where she found new customers. Her view was that there had been a monopolisation of the business development within her home community, which meant that it had become really hard for any newcomers. Marina enlarged tourism step by step with a focus on cross-country skiing. Nearby was the downhill ski centre, developed by Yuri since 2008. Now there were plans to connect the two areas by a roller track through the forest and other plans to build more hotel capacity to be able to arrange large competitions and events.

On the outskirts of Rossirovo a brand new tourism village had been built, financed and owned by a former police officer. In 2014 we found several new roads with houses under construction in the area. It was clear that there was a lot of building activity in the community centre as we had visited this community almost every year since 2003. In addition to new blocks of flats, there was a new old people’s home. New buildings were also to be seen in other villages. The impression is that life has improved here since 2003, and in comparison to other district centres it has improved much more.

Lipovka – blocked development

This municipality is located by the seashore. The only industrial company used to be a shipyard, thus the area by the road is full of pieces of old metal. When after 2003 the shipyard made serious cuts in the number of jobs, the consequences to the village were enormous. The company had supported the village earlier in many ways, in housing as well as in providing other services for the local population. When many employees lost their jobs, they had to find other ways to support themselves.

The local village group wanted to improve the image of the village, utilising its location by the sea to cultivate tourism. Igor and Leonid had worked there for many years. They lost their jobs like many others but found new employment repairing boats. In 2006, they said that the new manager ‘did not care at all about the local village and its population’. Since he became the owner, the company had been registered in St Petersburg, which meant that any taxes went there, to the detriment of the local community and the local administration. Anyone who complained was dismissed. Workers were employed on short-term contracts, which made it easier to get rid of people. The shipyard allowed oil to pour directly into the river. If the manager had been local, they believed the situation would have been different. It was said that someone had tried to shoot him but failed (interview, two men, 2008).

In their free time Igor and Leonid were building a cafe, which required many hours of work in the evenings and at the weekends. A sauna, a laundry and a sewing establishment were set up in the same building. They obtained some funds for this undertaking. The new manager of the shipyard, however, cut off electricity to the cafe and as a result they were left without electricity, heating and water. This meant that all the small-scale business activities had to close. Vera who worked in the cafe had to start working in a shop in the nearby town, selling fishing equipment. The village group felt disappointed and one of them, Ludmila, decided she had to engage in politics. In 2008 she had a ‘new’ platform from which she could continue to promote work in her village, in collaboration with the younger people she supported earlier (interviews: village group, 2008).

We visited Ludmila’s house in 2012. The factory area was isolated from the village by a high wall. Because of rain it was nearly impossible to drive to Ludmila’s house as the road was so full of water and the wall stopped it from running down to the sea. When visiting Ludmila’s new, modern home, the first impression was the barbed wire above the wall that we saw from her window, and behind it, a newly built castle. This was the new home of the owner of the factory. The cafe was still closed. Nearby were some barrack-type houses in heavy need of painting. According to Ludmila, 80 per cent of families had running water. There was also a brand new brick building beside the factory. We heard that the shipyard had been developed into a factory concentrating now on the cutting and selling of metal articles. The owner was not popular, although he was going to move to live in the area. This man had been the subject of another murder attempt.

Although Ludmila was a deputy, she was not going to stand as a candidate for a second term. ‘It is useless, not worth all the effort,’ she said. Instead, she was going to devote her energy to activities at the house of culture. The following year Ludmila described her son’s plans to develop tourism in the area (interviews, 2012 and 2013). It is difficult to imagine this, however, given all the garbage from the former shipyard lying everywhere and everything looking really shabby, the houses in heavy need of renovation and water filling the road.

Nevertheless, it appeared that the factory had managed quite well. Liubov had asked the woman who was now the director for support to build a new church, but without success. She was the widow of the former director. Again, someone had tried to shoot him and this time succeeded. The murderer had not been caught.

The state could have provided resources and other help to those who wanted to start a business, but there were no such entrepreneurial people – there had indeed been new possibilities, but nobody knew how to start. To continue in the old way just postponed the unavoidable changes as had taken place in Vershim and Lipovka. Strong companies could have a negative impact on development, in Lipovka, because the company was not willing to cooperate with locals and in Vershim because the farm got stuck in a profitability crisis.

Lopatino

Lopatino is a small town in the central part of Russia. It is the centre of a district with a lot of villages of different sizes, while the town itself has about 14,000 inhabitants, three colleges, two hotels, one large factory, the sports centre FOK¹⁵ and quite a few shops of various sizes. Besides the restaurants in the two hotels, there is one Soviet-type restaurant in the centre of the town and an Armenian restaurant in the park. One of the hotels, the Armenian restaurant and sports centre are new.

The town’s population has stayed quite stable, but the town has gone through a rapid reconstruction from being the centre of an agricultural district to a regional administrative and service centre with college-level education. A lot of entrepreneurs emerged in the 1990s who established small shops and mini-markets. Many of them were under pressure, however, during our visits in 2012–14 because retail trade chains were coming into the town. Agriculture around the town had not recovered after the closures of several state farms. Some small farms were working in the villages, and inhabitants produced subsistence food on their small household plots around the town. Several old factories were closed, and milk and meat production had ended. The large industrial plant which was left was a textile factory. It was said to use a lot of immigrant workers. A workshop that had repaired *UAZ* jeeps was also closed but some workers had established instead the production of silencers for another factory plant. The mayor was not worried about this development of deindustrialisation. In 2013 he said that the sports centre was much more important for the town and the district than a dairy. According to him, FOK brings a totally new mentality to the town, and people even say that they do not believe they are in Russia at all when they visit FOK for the first time.

Instead of continuing structural challenges, the economic situation in the town is relatively stable. Private entrepreneurs have a remarkable role in this town:

according to the mayor they provide employment for about 700–800 people, which is a large proportion of the working people in the town (about 3,000 in total). The mayor remarked that the initiatives of small business boards and of district administration had helped small businesses to develop, as also had bank loans from the regional and district programmes, as well as the subsidies which the regional government had given to business operations.

In 2013 bank loans had high interest rates – 25–27 per cent for a private person. It was more secure to use the support which the regional ministry could offer, up to one million roubles. Its precondition was that the district contributed a quarter. The mayor had calculated that they could support four enterprises with 0.25 million roubles, which is quite a substantial sum for a community of this size; thus there are, for example, new woodworking machines in use. Also some of the men work in Moscow or in the north with the ‘fly-in fly-out’ method.¹⁶ There are also people with a good education who have networks and can find additional sources of income while living here. Nevertheless, the mayor underlined the role of state programmes for the district.

Entrepreneurs were an important resource for local efforts. The local administration could urge them to make some investments for the benefit of the entire community, such as pavements which were put in across the whole town before the visit of the Orthodox Patriarch Kirill. As a whole the renewal of the pavements brought many kilometres of well-functioning routes from the centre to the outskirts areas of the town. Some entrepreneurs we met were critical about such responsibilities. On the other hand, the new pavements had the positive effect of decreasing traffic accidents. Putting in pavements seemed to be the choice of the town leaders. It was an unwritten priority, which was put into practice when an opportunity emerged to do so. It was the important visit of the Patriarch which provided the opportunity for some extra funding. Local leaders were clever enough to get these resources, and to put some pressure on the entrepreneurs who opposed but could not refuse to contribute to the effort.

This town has taken steps towards a modern society, transferring not only from socialism to the market economy but also from an industrial town to a regional service centre.

Gagino – urban village

Gagino is an urban village, which means that it has industrial activities and the population is too large for a rural village. The old factory is complemented with timber-based small industry. There is a school and now when there is FOK nearby, sports teams can also train there. Ice hockey, football, basketball and volleyball are all popular here. The new local head explained that they were training a lot from a young age; he saw this as a continuation from the Soviet era when physical education and sports activities were important. His philosophy was that ‘If a person devotes himself to sports, he will grow up to be healthy, strong, wise and beautiful.’ After the collapse of the Soviet Union, the urban village descended into disorder. Children were left to help themselves, and some of them were drawn to crime (interview. 2014).

The factory was suddenly closed during one of our visits. This came as a shock, but both the local head and the district mayor took it rather calmly. The mayor did not believe too much in the old industry; he seemed to think the factory had received a lot of subsidies and had avoided paying taxes, and in the end one could get along without it. There were a lot of older workers, who already had a pension. It helped in the adjustment, even if the pension was small. Some professional workers moved to a similar factory quite some distance away. Forestry could still give the village economy support which was much needed.

The local head had succeeded in persuading local men to work for the development of the village. They were doing things together, partly with the help of state programmes. In 2013 they installed five kilometres of water pipes without state funds, they received money from a federal programme to construct a kindergarten, and also to build four houses for young specialists, who were all teachers working in the school.

It seems that the local head has been able to get funding, which had already earlier been available but the former head had not tried to get it. The local head had made a lot of applications to federal and regional programmes but it was not difficult, and he had simply been very successful. The state was offering resources with its national priority programmes. It is clear that personal activity is a crucial factor in accessing these state programmes. The local head said that the administration also helps entrepreneurs to get funding, citing as an example a farmer 25 km away from the main village, who needed 1.5 million roubles for his farm.

Reflections

All these locations experienced a dramatic downward turn after the collapse of the Soviet system. Ten years later, some of them had managed to turn the development upwards. What took place during the period described in this book, 2000–15, is about building up society again; whatever resources that were left needed to be put to use again, and not only that. With reference to Amartya Sen (1984), it is about ‘transforming resources, rights and relations into goods and services that you have a reason to value.’ This requires actors! Who are they? Teachers, entrepreneurs, local officials, deputies, parents, women’s clubs, librarians or cultural workers ... Where are they? That is not easy to say – sometimes you just see them, sometimes not. We will meet some of them in the following chapters to tell us what they have seen and experienced. It is all about processes and people: something starts a process, and something makes it continue or stop.

Notes

1. Mostly people still spoke about *sovkhoses* (state farms) or *kolkhozes* (production cooperative farms) even if they had been privatised. More precisely, to make a distinction with new private farms, they are called ‘corporate farms’. For a rather long time these privatised state farms had more or less the same structure and size as *sovkhoses* and often the same director as during the Soviet time.

2. The new Constitution of the Russian Federation was enacted on 25 December 1993. However, privatisation had already started earlier, partly during *perestroika*, when some Soviet states allowed the establishment of individual family farms, e.g. Lithuania in 1988, Latvia and Estonia in 1989. During Mikhail Gorbachev's presidency, three Soviet laws were enacted to enable private agriculture and private ownership of land property: 'On the Peasant Farm' (22 November 1990), 'On Land Reform' (23 November 1990) and 'On Local Self-government' (6 July 1991). These principles were then strengthened in the new Constitution. Before the new Constitution, privatisation met strong ideological resistance in the Supreme Soviet, and therefore reforms were first enacted with presidential decrees. The two main principles in these reforms were the corporatising of state enterprises and the taking into use of privatisation vouchers. Vouchers gave every citizen the corresponding value of one month's salary (10,000 roubles) (Nysten-Haarala 2009: 29). At state farms both workers and pensioners received vouchers, which allowed them the right to get a piece of farm land and a part of the other property of the farm. A further decree from January 1993 transferred social and cultural obligations from state enterprises to the local authorities.
3. A research team visited this region in 2005 in order to study the destiny of the genetically unique Yakutian cattle and other possible rarities in the storms of privatisation. Yakutian cattle have survived through the Soviet system only in three villages. What makes it valuable is its exceptional ability to live in very humble circumstances and in an extremely cold climate. Furthermore, it seems to be one of the genetically closest descendants of wild aurochs (Granberg *et al.* 2009).
4. Ioffe and others calculate that cattle production had decreased in 2010 to 36 per cent of the production in 1980 (Ioffe *et al.* 2012: 529).
5. This category is called in the statistics 'Peasant (farm) enterprises', which includes a variety of smaller and larger private farms.
6. The main share of food consumed was produced by households: 47.9 per cent in 1995, 49.3 per cent in 2005 and 41.4 per cent in 2014 (Rosstat 2015). The diminishing share shows the impact of increasing welfare in urban areas and decreasing animal husbandry among rural households.
7. After privatisation decrees in 1992–3, forest legislation was renewed in several steps. In the Soviet era forest management was undertaken by *leskhoz*s, state units with a dual role. On the one hand they were administrative units, responsible for organising forest use, management, regeneration and protection as well as interaction with local population. On the other hand, *leskhoz*s were forest users which could carry out logging operations in order to fund forestry activities. In 'The Principles of the Forest Legislation of the Russian Federation' (1993) the management of forests was separated from operational harvesting. This was further developed in 1997 through the introduction of 'The Forest Code of the Russian Federation'. It formulated the goals of forest management to be: rational and sustainable use of forests, forest conservation and protection, and in addition the preservation of the biological diversity of forest ecosystems. In the following 'Forest Code of the Russian Federation' (2006) *leskhoz*s were discontinued, furthermore, the Federal State was defined to be the only owner of forest land in Russia (Pappila 2009: 60; Ulybina 2014: 143–4, 148–9).
8. See note 4 in Chapter 1 on urban villages.
9. The largest cuts in employment in absolute terms have occurred in the machine-building and metal-working industries. According to Turunen (2004) blue-collar workers lost their jobs more often than others as a result of cutbacks in the state sector.
10. One sign of this is the low priority that is attributed to social production and social services in the distribution of budgets (Voronin 2002: 53).
11. The increased responsibility at the local level is reflected in an increase in the number of employees in local government bodies (*Rossiya v tsifrakh* 2008: 60).
12. The ambition of the new leadership in the Soviet Union in 1985 was to reconstruct (*perestroit'*) the Soviet economy. Mikhail Gorbachev was in power 1985–91. He started

as the Secretary General of the Communist Party and became later the first and last president of the Soviet Union. Gorbachev introduced several new ideas into economic policy. For individuals, he introduced ideas that combined new responsibilities with new incentives, and expanded the role and rights of non-state activity. For example, the November 1986 Law on Individual Labour Activity allowed people to earn money by providing goods and services that lay outside state plans. Further, the 1988 Law on Cooperatives allowed families to set up independently owned and operated businesses. *Perestroika* was primarily associated with Gorbachev.

13. After somewhat complicated preparations for this visit, we had been welcomed to the district. A couple of things had made us more or less worried: there were backlashes in plans and the feeling was that the atmosphere had changed since the Ukrainian crisis started. Our contact disappeared at the time of agreeing on the schedule, it was difficult to get assurance of meeting the local administration and the region's agricultural authorities refused to arrange any meeting at all with us – which had been a routine in earlier years. Also our wish to visit one of the larger villages got a negative answer. However, the vice-mayor and many others used their time to meet us in the district centre. Local people were warm and friendly as always.
14. About the homeowners' association, see Vihavainen (2009).
15. FOK is an abbreviation of *Fizikulturno-Ozdrovitelnyi Kompleks*, which could be translated as 'sports-wellness centre'.
16. The term *vakhtovyi metod* is frequently used in Russia to denote periodic work which takes place away from home (see also Chapter 5, note 1).

3 Local authorities

‘Russia has a tradition of running away from civilization. There were those who ran away from the power exercised by the church. In the Soviet time, people ran away from Soviet power.’

(Mayor, small town, 2014)

Mayors and their experiences

Alexander was not re-elected in 2004. He was the mayor in Klotskii at the time of our first visit to the community in 2003. Five years after this first meeting he spoke about how stormy everything had been during his time as mayor. He described the ad hoc decisions he had to make, and said that he had not really been the right person for this post. Before being elected to become mayor in 2001 he had been an entrepreneur with his own business selling pipelines, and now he was back in business again. According to him, there was more struggle for power than healthy competition, which he had hoped to see. We had heard earlier about the fights he had with Natalia, the former vice-mayor who was in charge of the election campaign for his opponent, Valentin, who was mayor before as well as after Alexander. Alexander had had the old *politruks* (political commissars), who worked for United Russia, against him. In 2008 Alexander described how he finally joined the party (United Russia), although he had refused to do so during his time as mayor. He had simply realised that it was easier to run his business if he became a member of the party. But he also supports Putin: ‘Russia should not stand on its knees’, he said (interview, 2008).

It had been difficult to be the mayor. One thing was the small budget, and more of the taxes should go directly to the district. But it was also the mentality of ordinary people which prevents them from getting out of poverty. Alexander thought that people were too restless, and that they had lost respect for each other during the *perestroika* years. This lack of trust provides a real obstacle to development. He expressed admiration for Natalia with whom he had battled so much. She had the patience he himself did not have. Natalia went to talk with those who did not get their salaries and convinced them to wait. On the other hand, Alexander could also benefit from his time as a politician. Being in post for three years enabled him to get a loan free of interest. He bought a car.

The forest villages were built in the 1930s and 1940s. Originally, they were planned to be temporary settlements, but they became more or less permanent. This means that people are still spread over large areas which is expensive for the community. The budget is not enough to cover the costs of transport, healthcare, schools, trade and road maintenance. People do not want to move from the villages where they have built their own houses. They are used to getting certain services and demand that these continue. There are about one hundred such villages, according to Alexander, with perhaps one or two school children in each of them. Alexander talked about the mentality which keeps people in poverty. As soon as someone is able to improve something for themselves the others become jealous. But he has also seen that people have started to think. It is very important that Mikhail, the main entrepreneur in this district, was building new roads in the forests, and every year access to the forests was improving. This is something small entrepreneurs cannot do, they cannot take into account that weather conditions are sometimes very bad. That is why it is logical that the land is leased by big entrepreneurs, those who have good contacts with the banks. They are also the ones who start timber processing activities. Alexander strongly rejected the fear we heard some of the smaller forest workers talk about, that all the forest would be gone in a couple of years.

In 2008 in another community, Sarovskii, we met the same mayor, Viktor, for the third time. For him bureaucracy was the most important problem. Officials needed documents – sometimes special permissions from Moscow, sometimes decisions from the regional level. Small-scale production and processing are hindered by this. You have to find someone who can sign. Nevertheless, things were changing for the better, he believed. At least ‘the wild capitalism’ of a few years earlier no longer existed. Confusion about the division of responsibility and managing with budgets had decreased. He spoke about all the details. The budgets to the municipality (*poselenie*) level have tripled from the previous extremely low levels. This is something Viktor thinks is really good, as it enables the lowest levels to do something for themselves. The administration can also send project applications to the district that selects the most important, which are sent further to the regional level, where they should be guaranteed some funding. Transfers from the state to the regions have been raised as a result of the four national programmes, the so-called presidential programmes for education, healthcare, housing and agriculture (see Chapter 5). Viktor puts special hope on the programme directed towards rural development.

Referring to her experiences in Scandinavia, a high official in the regional capital (interview, 2008) emphasised how important it was that people actually participated in development. It is important that ideas come from those who are supposed to carry them out. They need to practise this idea of ‘bottom-up’ as a political method of mobilising ordinary people. She said work meetings had been held in seven of the eight districts in this region:

The aim is to help people to formulate their own ideas, by focusing on what opportunities and resources there are, development prospects with respect to

culture, history, nature, traditions of food and handicraft, housing in the countryside, and entrepreneurial activities that can be built around tourism. This is especially important given the fourth level of administration, the municipality level, and the new legislation on local development.¹

So we are back to the issue of getting local officials to implement decisions from above. In this region there was the problem that only two out of the eight districts had incomes other than money from the state. There is a heavy demand for private investment: ‘there has to be somebody who is able to invest money’; ‘potential entrepreneurs must see that there is a market’. An individual who has a job has the right to lease land, but it does not work in practice. The land surveying and registration procedure was not ready in 2008, with the consequence that the price for renting was not settled. On the other hand, private companies and agricultural organisations had already registered ownership of large areas of land. The idea was that it would be possible to borrow money by providing land as security. But there was a conflict between state interests and the interests of private entrepreneurs. There were more questions than answers (interview, high regional official, 2008):

The agricultural land is administered by the Ministry of Agriculture. The land reform will take more than five years. Entrepreneurs can apply for support from the regional level, from the agricultural programme, and they should be entitled to support in some proportion to their own investment. If money is lacking, the region should try to negotiate additional support from the federal level. An alternative is funding from state programmes, which are channelled to the district level.

From the interviews in a few different places in 2008, it seems clear that oil revenues were really used for local development. But projects that had been started with the help of money from federal programmes were stopped as funds allocated to their implementation had been frozen. As a consequence of the economic crisis in 2008 payments were simply held back. One clear example was the ski tourism area – the money just did not come. Nobody seemed to know if and when ongoing projects could be completed.² We also heard about ‘struggles for power’, and that the mayor of the regional capital had been jailed on charges of fraud.

In 2011, we learned that there now was a young male mayor, Ilia, and a new vice-mayor, Elena, one of the participants in the SIDA project and the former director of the cultural centre in Startsevo. The previous vice-mayor had become Minister of Culture at the regional level. This new mayor won against Alexander. It was interesting to hear the various opinions about this, some positive, some not – some people believed that Ilia who came to power in 2010 did not know anything, was not spearheading any projects and was elected simply because people did not want Alexander back. The new mayor, Ilia, was not a party member – interestingly this did not prevent him from being elected. And it was he who convinced Elena to

accept the job as vice-mayor: just like her predecessor, she comes from the cultural sphere. As Elena put it at the time, her predecessor, Svetlana, managed to get the job that she was hoping to get, because she realised that people were not ready for a female mayor.

We had called Dmitry and asked him to meet us upon arrival, but Elena also came to the train station, with her chauffeur, to greet us. She was very well dressed, with high heels there on the grassy slope, eager to set up a fruitful agenda for us.

In 2012, we met the local head of Startsevo municipality, Vladimir. We went to see him with Dmitry, who wanted to show us that there was somebody who actually believed in him despite the problems he had had in his former business. When Dmitry wanted to get into business again, he needed some support from the administration. Vladimir helped him to rent a place together with four other men, who also planned to start individual businesses.

Putin's picture was lying on the table in Vladimir's office: it was time to take down Medvedev's picture from the wall and replace it with the picture of Putin. Vladimir described all the positive tendencies he could see in this part of the community. A large part of their income comes from the local industry. They have good roads and a good electricity supply, and they participate in both federal and regional programmes. As the municipality itself is not allowed to run any business, it has to cooperate with others. Vladimir can offer facilities for businesses and infrastructure. They can try to attract firms to come here to run their activities. He tries to get sponsor money for improving roads and housing. This enables them to provide the 50 per cent of costs they need to pay in order to use funding from the federal and regional levels for building houses. They use all reserves to create work places, which also means promoting small business development by providing land and buildings. He is glad that Dmitry is using the chance to participate in the programme, and now that they are five of them, they can use the special opportunity of getting funding to start a cooperative. Vladimir hoped that there will be others who can use this opportunity. He was rather optimistic about development. There were a couple of companies in his municipality, one large firm owned by Mikhail, and also two companies with almost one hundred workers each. He treats anybody who takes the initiative to create something as an equal, he says. But he thinks they are among the very few municipalities who actually work actively towards the regional level. This view was confirmed by Elena, the vice-mayor (interview, 2012). It is all about being able to take initiatives. She spoke about a municipality which is selling sand to a road construction company as a good example. The municipality is aware of the problems, and they try to provide courses and create possibilities both for those in charge at the municipality level and for those engaged in local development activities to pay visits to other communities to get inspired by good examples. Vladimir has already been in his post for four years now, and a lot has happened, but he has had a clear strategy. However, he has also been fined a couple of times as he has taken decisions for which he has not had the authority.

Local administration reform

Since the middle of the 2000s, positive signals could be observed by visitors in Russia. One of the preconditions for these was the reform of local administration in 2006. Federal Law No. 131 'On the General Principles of Organisation of Local Self-governance in the Russian Federation' came into force on 1 January 2006. A key task was the increased responsibility for the self-financing of costs along with the introduction of a fourth level of administration within each district.

Local administration before and after the reform

A village in the north-west

Regions in Russia are *oblasts* or republics, with some differences in their tasks and the procedures of making decisions and implementing them. Under regional administration there are two levels of local administrations: district and local municipal level (see Chapter 1, note 3). In the Soviet era, the capacity of local administration was dependent on its relations with the local state companies and higher-level administration. They could offer funding for urgent needs. *Sovkhozes*, *kolkhozes* and *lezkhozes* took responsibility for a much wider group of tasks than would enterprises in a market economy. They received money from the state budget to be used for local needs. The district level had limited responsibilities and tight federal state resources whereas the lowest level of administration did not even have its own budget, its funding being administered by the district level.³ The situation in local settlements fell into crisis during privatisation, because many local administrative tasks were no longer taken care of by anybody. Complaints were made to higher levels, but often without success.

The situation at the lowest level of administration was clarified in an interview by the vice-head of Bykova, Anna (2005):

Viktor Pavlovich is the head of our administration ... He has a wide range of responsibilities and at the same time no limitations in this area. First of all he is dealing with social and economic issues, the issues of cultural development of the village, development of the village, work with people, work with various superior agencies, and direct contacts with ... [district] administration.

Furthermore, she explained that administration was taken care of by four specialists: the local head was in charge of the administration, Anna herself was the vice-head, Svetlana was the land expert and Nina worked in the military registration office. The local head and Anna started at the same time in 2003. Their duties overlapped and they could replace each other. The only difference was that a local head contacted higher authorities directly, even though the vice-head did so as well, when the head was on a business trip or on vacation. A land expert's duty was to solve issues concerning renting and private ownership of land, the limitations of land use, granting land for building needs and settling disputes on land

use. Svetlana's second area was development of the main settlement, for instance taking care of sanitation conditions, rubbish dumps and cemeteries. Furthermore, she took care of paperwork such as certificates for family members, housing conditions and registration certificates. In the military registration office, Nina kept a register of people subject to enlistment, and dealt with things needed around liability to military service. Her second area was the passport and visa service.

Book-keeping was taken care of by an independent unit of four persons which was located in the same building. Earlier it was a part of local administration but when book-keeping was transferred to computers it was reorganised, and was in 2004 located mainly in the district centre, with just four persons staying connected to the village administration. According to Anna, the office was needed in the village, because there were several public working places: a school, a kindergarten, a school boarding house, a home for the elderly and a hospital. Budgets had to be taken care of and the staff of these organisations had to get their salaries, although such tasks did not belong to the village administration.

Administration was a legal entity, but its special feature was that the budget was organised via the district centre. Municipal property consisted of the buildings of different organisations. The head in this community was not elected but appointed. When asked about the money reserved for the needs of the village administration, Anna explained that there was no such reserve, nothing for needs, nothing for improvements. She then made a correction, that there was an item for financing improvements by the administration, but it was so small that in the winter time they always had problems clearing roads, and they had to turn to companies to sponsor assistance. If improvements were needed, the companies in the region were approached to be sponsors.

At the time of the interview, in 2004, the local administration was working with several difficult problems, because the privatised former state farm was practically in a state of bankruptcy. The funding for local needs was insufficient, and the funding system was very complicated with different sources for different activities. The federal budget and regional budget both contributed to funding the medical personnel in the hospital. Administrative personnel were funded by the district budget. A similar division of funding concerned the school and kindergarten. Some concrete problems were heating, repairs and the water supply. Even in this jungle of funding, it was the local head who had to solve any problems and took place through contacts in various bodies and persons responsible for funding. The main problem at that time was housing and another major problem was unemployment. Even though Russian law promised an apartment for each young academic specialist settling in rural areas, this district could not offer good accommodation for teachers and therefore could not get specialists for the school.

Siberian village

Flying 4,500 kilometres from Moscow in the east to Northern Siberia, you come to a district formed by three villages, situated at a distance of 40 to 60 kilometres

from each other. They had neither road connections to the world around, nor from one village to another. Roads and waterways were behind three mountain chains and only a winter road was in use each year from February to May. Each village had its own school, kindergarten, house of culture, administration and small service units.

During the field trip to this region in spring 2005 life was already somewhat better than before. The head of the village administration in one of the two minor villages was Marina (interview 2005). 'It seems things are settling down and development is going on. Life got on track and life is getting better, progress is under way.' She described that five years previously, in 2000, they did not even have electricity in the summer and therefore no communication to the outer world. Poverty is still a problem:

Previously these people used to work on the state farm. If there were four hundred people, then half of them would be with the state farm. When the state farm disappeared, many people lost their jobs. Some organised private companies and are starting entrepreneurship. But there are still those who are poor ... We help families with many children as much as we can. But there are families where all are unemployed and do not get pensions, children are young, and they are not employed anywhere for various reasons. They are on the list of the unemployed, they get allowances for the unemployed and they have no other income. Maybe in the summer they can pick berries. We would like to help them, but we do not have such opportunities.

Marina pointed out that in a crisis the village administration could provide some help, for example they could give money from their own pockets. Sometimes they also collected money from the villagers to help each other. This happened when somebody was seriously ill or had to travel somewhere urgently. The administration could also help with food. There were three family farms in the village, two large farms and twelve people engaged in entrepreneurship. Nevertheless there were some who were unemployed. Entrepreneurs started when there were no jobs and they succeeded in getting their own machinery. For example, they delivered firewood, hay for cows and horses, and ice for people – ice was used as a reservoir for water. Entrepreneurs provided transportation and some were engaged in trade, bringing goods from the regional capital and also from the central village of the district. There was one state-owned shop in the village and two or three private shops.

The private farms kept cattle and horses. They were officially registered as farmers, but the difference from private households was small. One concrete reason for registering a farm could be the state subsidies, for example for mares, which households did not get. Marina saw good possibilities for the village in the future. The state farm was smaller than earlier but had continued its activities despite changes in ownership and juridical status. The work to build a new, big school had already started. The electricity system was getting better and there was a plan to build a new power station near the main village and lay an electric cable

to her village. An additional option was the lake with mineral-rich water, where a sanatorium could be built in the future. Things were worse in the third village where people felt mistreated. The state farm was closed and its activities had been moved to the two other villages.

Local administration after the reform

The situation in small communities was changed by the reform of local administration, which took place after long debates by enacting the new Law No. 131 in 2006. It was believed to give local people more power to decide on the improvements in their own village. Partly true, partly a dream? Indeed, each local administration received its own budget and more negotiating power with the district authorities as well as with external actors regarding local questions. Local authorities could take the role as mediators between local people and those who held the resources. At the same time, they did not get enough money for their needs and the gap in funding had to be filled in some way. Consequently, the dependence on higher authorities and political leaders continued to be great and the need to collaborate with local entrepreneurs also continued. With regard to the power station by the lake, which Marina had wished for, the measurements during spring 2005 revealed that the amount of water in the lake was too small for a reservoir to function well and the plan was abandoned.

As before the reform, the local authorities remain responsible for basic services in small towns and villages. It is up to the local authorities to find their own ways to deal with the problems of lack of resources and acute need for improvements, whatever they may be. Although there is little access to profits from priority branches in many places, these places may have a relatively high level of freedom in terms of interference from the central level: ‘You just have to be active and try, and try again, not to let bureaucracy let you down’ (interview, local head, 2012).

Sometimes decentralisation without the allocation of resources from the central level is referred to as centralisation, suggesting that the local space has diminished. In the following we pay attention, however, also to the opposite tendencies. Since 2006 new possibilities have emerged for individuals and local companies to apply for funding for their needs, thanks to the central funds created for local development and social programmes.

Who is in charge?

Six years had passed since the reform of the administration. Our research team was invited to take part in the Victory Day celebrations in the municipality of Krokhino in 2012. We witnessed ceremonial speeches, watched the placing of wreaths, listened to poems and watched the singing and dancing of school children inside the local house of culture. And everywhere, there was a lot of flowers.

We were just going to have a five-minute visit with the chairperson of the village council, Valentina, but after getting past an angry dog, a table full of

food was waiting inside, and we were even dancing as her husband played the accordion. She explained that each deputy in the village council is responsible for one road. All the gardens should be clean and a tractor passes every morning to collect the garbage. They also have joint cleaning days. The roads are lit from late August, so the deputy has to see that all the lamps are working. The road should be cleared from snow, and the deputy should see that all houses are reachable in the winter. The village council helps people with documents, which saves them from several trips to the district centre. They have two committees, one for distributing harvesting rights, the other for handling building issues.

According to Valentina, the village council is in charge. They set up the rules for the villages. But according to the local vice-head of Krokhino municipality, Irina (interview 2012), it is Mikhail, the main entrepreneur, who is the actual ruler. He is 'the tsar'. If the village council takes a decision Mikhail does not like, he changes it. Then there is also the relationship with the local administration. The local vice-head also admitted that although Mikhail helps development in several ways, he makes her own work more difficult as he wants to decide himself who and what to support:

The main local entrepreneur only supports social activities in his own village. Local people expect us to provide similar financial help, which we cannot do. Rather than engaging with parents who have drinking problems, we try to create activities for their children outside of their homes, but the main entrepreneur here does not want to support our activities with youngsters. 'Our teenagers have their own hands and feet', he said, while giving support to pensioners' celebrations. But sometimes we get funding for equipment.

Valentina described that she was checking the state of affairs in the village each morning, and you could see the results: it is really clean everywhere with no garbage in sight. While the administration paved the roads, Mikhail paid for the green fences that can be seen all over the villages and for the painting of houses. Mikhail also financed the fountain, the pavements and the garbage system. He really wanted the village to be decent. This was good, of course, but Irina still found his behaviour somewhat problematic. He was simply too domineering. Rather than helping people who were in difficulties, he tried to get them to move away from the village. Mikhail, for the time being, was taking care of two other villages, apart from the main village. While this was better than before, there are still six villages in this municipality.

Two years later the same vice-head, Irina, portrayed the struggle for power in this municipality. In 2012 she was ambivalent as to whether to try to become the local head or not. Her choice was not to run for it. It is too difficult, she said, 'nobody wants to'. The new head was elected: only 29 years old with no higher education or any experience at all. Irina had to help him and he is now doing better. However, Irina has decided that she will run for mayor in the next election.

She has enough experience from working as vice-head of a municipality for four years (interview, vice-head, 2014).

‘Women in charge where there is no money’

The description of what the local head of Startsevo municipality, Anastasia (interview, 2008), who had been in charge for eight years from 2000 to 2008, called ‘a normal working day’ provides an illustration of the situation:

Sometimes I am standing in the same place, but this is something you just have to endure. In the morning I receive visitors from the local population. They come to me when they have complaints about practical matters. It could be that rents for flats have been raised. Then I spend all day in meetings begging for money.

Anastasia described how she had to find ways to get hold of resources by asking for funds at higher political levels, by asking the local entrepreneurs for support or by mobilising local people to contribute on a voluntary basis; alternatively, she had to engage in a process of bargaining. In effect, what Anastasia described is how the decentralisation affects her own work situation and how difficult it could be at times. She also emphasised that she felt more powerful in the light of new possibilities for implementing measures. So, although ‘women continue to solve the problems that fall between the chairs as they did in the Soviet times’, there seem to be more options now, and Anastasia was proud of her achievements in recent years. It seems clear that her job was not really about ideology or political strategies, but about finding practical solutions to people’s ordinary problems in their everyday lives. Anastasia’s experiences provide evidence that strong norms established as an integral part of the Soviet system and new possibilities as a result of reforms contribute to survival and development.

Svetlana (interview, 2008) was the vice-mayor with responsibility for social affairs in Klotskii district. In 2008 she described her working day in the following way:

On a regular working day I have meetings with companies, as I find it important to support local producers [the day of our meeting she had had lunch with the local vodka producer]. Then I have a meeting with those in charge at municipal level. Then I have meetings with local residents. As soon as rents are raised they call me. There are lots of meetings with people about matters that are not working well.

Local residents came to the community house to see her, to get some support, as evidenced by the number of people sitting outside her office waiting for her. The vice-mayor also told us that she goes out to the villages to report on activities there and to discuss the villagers’ plans for the future. Since 2007, a report had been written for each municipality. It is public, available to anybody at the library,

like the *narkhoz* (the Statistical Yearbook) at the very local level, with figures for the number of employees, families receiving support, support for children and the number of fires.

In 2008, according to Svetlana, it was more democratic than earlier and as she put it:

It is more about diplomacy, although there is also more bureaucracy, more statistics and more reports to write. There are so many new laws and regulations, and money coming from different budgets that needs to be declared. The controlling authorities make regular visits. Prosecutors come to check without notice, perhaps they are just doing their job; nevertheless they are disruptive, coming with their own rigid routines.

From her point of view, women work more actively on local development:

All the village councils have been started by women, while men lie on the sofa. Men want to be in charge where there is money, they want to decide about the distribution of resources. But the problems of ordinary people are left to women to take care of, especially when there is no money available.

She confirmed the view that men had been hit harder by the transformation of work places. Many companies with male employees have been closed. Women, who more commonly had worked in social services with guaranteed and more stable wage payments, had been more likely to keep their jobs. Women had increasingly become the main breadwinners in families, which indicated that young males had also lost their positions. According to Svetlana's view, this has resulted in an increase in alcohol abuse among young men: 'Women, on the other hand, take responsibility for their actions, they are more diplomatic, fighting to provide basic security for their families.'

Most difficult for local communities had been the implementation of new laws, which lack mechanisms needed for their implementation. As regards the law on local administration, for example, the division of responsibility was not clear. The district was expected to propose budgets for the municipalities, and also to decide how much money they should receive from the regional level as well as from the state. Local leaders faced the same problem with regard to the law on the monetisation of benefits,⁴ which used to be provided to different categories of the population according to specific rules. Instead of public services, citizens should be compensated monetarily. According to Svetlana, the administration had not received proper advice from higher levels about the practical solutions in this complicated issue: how to distribute rights to pensioners, war veterans or invalids, and to those living in northern Russia. One such right was the possibility of going to sanatoriums, which in practice was only available to urban populations. This was a right on paper, which was never put into practice for rural inhabitants.

At the district level, both the political situation and the budget were described as having stabilised. Although the leadership had not been used to this new kind

of shared responsibility among the various political levels, they had become better informed than earlier about the resources at their disposal. The social situation had improved as well, with salaries, pensions and subsidies being paid on time. Presumably more effort was required at the district level to prepare applications for grants from the various programmes available at the federal and regional levels (interview, vice-mayor of Klotskii district, 2008).

This meant more time for lobbying and serious preparation to get money from higher political levels, which was something some small entrepreneurs were dissatisfied with. According to the leader of a tourist firm, for example, rather than promoting entrepreneurial development, the female district officials devoted their attention to solving social problems by obtaining funds – from higher political levels and larger entrepreneurs – and voluntary contributions in the form of voluntary work by local women (interview, tourist entrepreneur in Klotskii, 2006).

The situation of the vice-mayor was thought to have improved in comparison to what it was in the late 1990s. A former vice-mayor of the Klotskii district, Natalia (interview, 2008), was responsible for social affairs in the 1990s for seven years. She described this job as her most difficult one – all the drinking, thefts and criminality. Women had to suffer, and her job was very much about defending women and children. At that time, there were strikes because people did not get paid on time. Natalia had to handle desperate and hungry people. Due to the lack of money, people were paid in the form of bread, butter, products, furniture, lamps or whatever was available. Natalia had set about collecting taxes with the help of a special committee, and had tried to ensure that companies actually paid wages. The priority was to pay wages first and only then other bills. She had to mobilise all forces within the community to combat urgent problems on all levels, to ask companies for support, to apply for funds, to organise the police, fire protection agencies, and healthcare.

The results of the former mobilisation activities were reflected in the developments. According to Svetlana (interview, 2008), although priorities have to be set regarding how to allocate health services, among other things, in 2008, the district had gas, timber, medicine and an ambulance: ‘There is timber, water collection facilities, ongoing construction, good equipment and resources available for improving roads.’

There was a hierarchical structure in decision-making, since the person in charge at the local level had to solve each issue with the particular vice-mayor at the district level. Thus heating and water had to be dealt with by the appropriate person dealing with housing. To get the required money, Anastasia (interview, local head, 2008) had to go to the vice-mayor for housing. The old system of receiving salaries in an envelope was still in use and meant that there was no record of official incomes and, consequently, no base for collecting taxes at the municipality level. Interviews supported the impression that although there were still hierarchical structures within politics, the transfer of responsibility for budgeting to the local level had also been realised in practice as a result of the law on local administration.

After eight years in the same profession, Anastasia was able to see the difference. Having set their own budget, local leaders had greater power to implement measures. In 2008, she revealed that more people had access to hot water, some roads had been improved and there were streetlights in some villages. And Anastasia had received a new car. In the main village, twelve houses had received running water. The municipality was able to pay wages, buy furniture and pay for the painting of houses. They had employed a person who took care of repair work. Having applied for and received funding from the region and the state, they were building a hospital. Anastasia took with pleasure her power to ensure that new construction was steady and sturdy – and she admitted to having argued with men about this. She said that the standard of living was considerably better than just a couple of years earlier, but that some people were very lazy. According to her, only those who are used to working actually work. Those who used to live in peripheral timber-harvesting settlements want to move to the main village. They buy apartments and renovate them. There were many more children now in child-care. As she put it:

Everybody hopes that the state will solve all their problems, but that won't happen, the state does not build anything. The state owned childcare facilities, but some locales were sold to private firms when there were too few children. Differences on the local level are wide within the same district. Some municipalities do not have any money of their own due to the lack of local companies. This means that they have to live just on subsidies, which are inadequate.

The use of new and old resources

Interviews provided examples of officials in local administration who act like entrepreneurs to compensate for their community's inadequate financial resources. In one example, the mayor of a rural community together with the head of culture, both female, tried to encourage entrepreneurship and local development by advising people how to apply for funds for projects (interview, Volski district, 2003). Similar activities were recounted elsewhere and during later visits. In another example, officials tried to support the development of cultural activities, education and local development groups, to encourage people to be more self-confident and to suggest possibilities for action (interview, female vice-mayor in Klotskii, 2005). Local officials and politicians actively took part in starting cultural organisations and women's councils. They encouraged the practice from the Soviet times that big companies should take social responsibility for their employees as well as for the local community (interview, local female vice-head, 2008). This phenomenon is confirmed by earlier studies (Granberg 2007; Kulmala 2010; Lazareva 2009; Kotilainen *et al.* 2009; Shubin 2007). Local officials and politicians also got used to applying for money from welfare funds at higher levels (Sätre 2014c). This also necessitated a change in the mentality of ordinary residents to seeing possibilities and taking action. Local officials also promoted

the setting up of social NGOs, which mediate between professional social sector workers and their clients, for example foster parents.

Our interviews reflect how local officials have initiated social projects, cultural activities and small businesses in villages. One example is the house of culture where activities are organised for children from distant villages. One local head, Maria, initiated the building of a church and obtained sponsors for this (interview, head of Krokhino municipality, 2012). Irina reported that she had been able to receive support from a charity fund for a youth project directed at those from problem families (interview, local vice-head of Krokhino municipality, 2011). Vladimir was well aware of the rules that you have to provide co-financing in order to obtain funding from the federal funds (interview, local head of Startsevo municipality, 2012). He described how he made his plans for development. He calculates and writes down how much money he can invest in the building of dwellings, roads, etc., relying not only on the small budget he actually has access to, but also including some funds he can borrow or get from entrepreneurs. He can sometimes get it back tenfold, but at least 50 per cent of the investment sum comes from higher levels. But you have to keep track of all the programmes that are available, all the requirements and different conditions. In 2014, we heard that the particular district was taking part in 54 programmes. In 2012, Elena, the vice-mayor of Klotskii described the plans in her community to develop tourism. They were lobbying for the creation of a national park, which they believed would promote tourism. They were building houses: we saw a lot under construction on the outskirts of the district centre as well as in one area near the centre, because old agricultural fields were being transformed into building sites. There were newly built flats for state employees and brand new accommodation for the elderly. These were the fruits of local officials making use of their own human capital, as well as improved skills among the local population to make use of projects and educational programmes.

Interviews also supported the assumption that local authorities are able to mobilise local entrepreneurs to support well-being in Russia. Such actions are interpreted critically by Hitt *et al.* (2004), who argue that the Russian institutional setting over-regulates businesses. Another type of problem might be weak dialogue between the political bodies and their administrative systems (Cuddy and Lijun 2007). However, if local officials and politicians are able to promote entrepreneurial development, this suggests that on a local level they have some skills to resist bureaucratic obstacles in Russia. Changes in the institutional structure sometimes meant frequently changing local policies, creating ‘institutional chaos’ and introducing significant uncertainty for Russian companies (Hitt *et al.* 2004). If, however, firms are shown to take a long-term perspective, this might imply that local politicians have the entrepreneurial skills to engage firms in local development. What Hitt *et al.* and Cuddy and Lijun argue is more valid on the central level of politics and administration, but for the local level Lindner’s (2009) proposal of the ‘alliance for the locals’ fits better. The relatively low levels of own-source revenues for local governments reflect the difficulty of extracting taxes from local companies and the local population (Thiessen 2006).⁵ Earlier research confirms that

inadequate and insecure resource funding from the central level incites local officials to make use of whatever social capital there is in the local villages in the form of informal networks (Ledeneva 2008; Shubin 2007). One aspect is that of relying on the tradition of social networks and subsistence farming and entrepreneurship for survival in villages (Granberg 2007; Svensson 2008).

Coping with new rules

Earlier research confirms that the inadequate allocation of central funds for assigned responsibilities puts limits on their implementation (Thiessen 2006). There is also an uncertainty whether money actually will be allocated from above according to the rules. Nevertheless, reforms have implied that local politicians have the right to take decisions, they have the right to their own budget, the right to find funding from non-public resources, and the right to make deals with local actors. Interviews give the impression that local officials and politicians at the municipal level try to use these rights, although hierarchical structures and arbitrary enforcement puts limits on their implementation.

The difficulties concerning the implementation of the new laws were reflected in the interview with a vice-mayor (2008) presented above. According to her, the mechanisms needed for them to work was lacking. As regards the law on self-governance, the division of responsibility was not clear, as with the law on the monetisation of benefits. Unclear rules from above make any long-term planning difficult. She liked the idea behind the law on self-governance, but as funding was so poor, hopes were focused on putting in some small amounts of money from the district budget and getting ten times as much back from the region. Although there were some possibilities in 2012 to get such extra funding from above for certain projects, Elena (interview, 2012), the vice-mayor, wanted to change from what she called 'a slump-wise development', by becoming less dependent on central funding.

Contradictory rules also allow for arbitrary enforcement. We heard different stories of how local heads have been fined, as they believe, arbitrarily and how they do not bother to go to court about it. One head at the lowest administration level told about how he was fined as he had allocated a flat to a young person with difficult life conditions without permission from above (interview, 2012). The same head nevertheless emphasised how important it was that those in his position are active in many ways, also working actively with the state and regional levels. The conclusion to be made is that despite the tendencies of the surviving hierarchical structures and arbitrary enforcement of legal rules, it appears that some local leaders have had space for different kinds of actions. They have been able to use their rights provided by reforms. Therefore they may also contribute to local development, which possibly has consequences in the wider context.

Strategies towards companies

Different strategies towards companies can be identified. Administration may rely on the voluntary contributions of firms; they can use 'begging practices',

collect informal taxes, and rely on longer-term collaboration with companies; and this may also take the form of collaboration within larger projects.

Voluntary contributions may follow as a result of the initiatives of companies themselves or as a result of ‘begging practices’. The fact that most taxes go to the federal budget combined with practical difficulties in collecting taxes encourages local authorities to tolerate tax evasion in exchange for investments that stay in the region (Polishchuk 2009).⁶ Rather than trying to enforce tax payments, local authorities count on the contribution of local businesses to local development. In 2003 a district mayor explained that he could overlook tax evasion if local entrepreneurs created new jobs, but he also said he could overlook small businesses violating the rules because he would be ‘satisfied if people find ways to support themselves and hopefully some others around them’ (interview, 2003). There is a mutual interest as it is important for companies to have a working infrastructure if investments tend to be earmarked towards companies’ own interests rather than to the priorities of local politicians. Also, local business developers might prefer to be seen as ‘good sons or daughters of their local communities’ than as ‘greedy capitalists’ even if there are also other kinds of cases (see Sätre 2014c).

There are also strategies based on donations to charity, material needs and local activities by local businesses: sports, cultural events and pavements (see also Chebankova 2010: 137–8). A common example is the building of churches. The usual example is that an entrepreneur finances local projects within his home village. Mikhail, for example, provided part of the financing for a church and a new school in his home village, Krokhino. He had also financed the building of a sports hall, the renovation of the house of culture and the construction of a fountain in previous years. It is common to provide services such as transportation to work, to a swimming pool or to sports competitions, as they are not so costly.

One entrepreneur (interview, 2012) within the tourism business talked about the difficulty in choosing what to support, as she could not contribute in all spheres. She chose ski-related activities for children, which was related to her competence as a skiing trainer and sports teacher. Other examples are provided by the contribution of local firms to the celebration of Victory Day and Old People’s Day, and how they contribute with coffee and presents at concerts.

The ‘begging practices’ include asking the more prominent entrepreneurs to provide places to work and to provide social services for their local villages (interviews, 2012). The strategy seems to be to make a contract with financially stable entrepreneurs to support particular villages with some specific social services, such as housing, job creation or support for funerals.⁷ A vice-mayor described how they advocated extending to the local community the norm from Soviet times: reliance on paternalistic employers, reproducing the role of *kolkhozes* in the time of Soviet rural society. An entrepreneur within the tourism business described how the local vice-mayor expected her to contribute to the community in different ways free of charge. Interviews show that this strategy had been used on the larger companies. Some years later, however, a vice-mayor said that she really wanted to stop ‘the habit of begging’, putting her efforts into

catching their genuine interests regarding participation in developing local projects instead (interviews, vice-mayors, 2005, 2008, 2011, 2012; entrepreneur, 2012; see also Nikula *et al.* 2005: 43–6).

A second strategy is to rely on informal taxes (Gaddy 2007; Lazareva 2009). Interviews indicate that this strategy is used on smaller firms. If local authorities are able to successfully implement informal taxation strategies, this shows that there are economically viable companies at the local level. And, if local authorities are able to tax local companies, this suggests that they have some power in their hands vis-à-vis these companies. Another form of informal taxation is when local authorities simply do not pay for services provided by local companies.⁸

A third strategy is to rely on enduring cooperation with firms. This strategy is often used on larger firms. One mayor (interview, 2003) said that since it was easier to deal with just a few robust firms, he promoted a process in which larger firms took over the smaller ones. To make a partnership agreement indicates that local authorities, in turn, have something to offer, contributing to the economy of the local companies.⁹ In interviews from 2003 we heard how someone from local administration had made a deal with companies to fell forests against promises to create work places. In 2012 a vice-mayor described how they focus on developing common projects that will benefit the community as well as the individual entrepreneur.¹⁰ One most important local initiative was collaboration with an entrepreneur to build up a ski tourism centre financed largely by federal funds. The local official said she believed in large projects. This was connected to the idea mentioned earlier of setting up a national park for the area around the skiing centre and attracting small entrepreneurs to build up culturally oriented activities around it.

Combining politics, unpaid work and contributions from the rich

Over the 15 years we noticed development steps in many places. But there are also places which are not doing well at all. Larissa (interview, 2011), who had been in charge as the head in Demino municipality for twenty years, provides one illustration of what the situation might look like. In the morning she receives visitors from the local population. They come to see her when they have complaints about practical matters. If the budget is not sufficient, she uses her own salary. She writes documents confirming that ‘somebody should be entitled to social support’ or ‘... needs transport to the hospital’. She described how she has spent time in meetings with the village council to work out ideas for applications or was ‘begging for help’ from the district level or from the only company in a particular village, the vodka factory. The following year the situation had become even worse as the vodka factory was closing down. Similar stories have been recounted in other remote villages, one of them chronicling the local head in 2012 in Talmenka municipality who was crying over the miserable situation in her villages, after already having spent her own salary on urgent matters.

In such cases, strategies based on voluntary work are particularly relevant. Such strategies seem to largely rely on women’s double responsibilities (Kay 2011; Salmenniemi 2008). Such women are responsible for social welfare at all

political levels, and are also active at the corresponding level of women's councils. They take major responsibility for covering up deficiencies of the state in social welfare issues.¹¹ Efforts are required to prepare applications for grants from the different programmes available from the federal and regional levels. This means time for lobbying, persuading and making serious preparations to get money from higher political levels (interview, vice-mayor, 2008). 'The same people are involved in all the NGOs ... Such joint work has resulted in a sports hall, the repair of water sources and local bridges' (interview, vice-head, 2011). One vice-mayor, Elena (interview, 2012), commented on cooperation between the local administration, social services and NGOs, with roots from the Soviet time. As one of the vice-heads in local administration, Irina (interview, 2011), put it:

As state authorities cannot apply for funding from the national programmes, we have to mobilise the NGOs. This is facilitated by working in the villages, where everybody knows each other; the same people are involved in all the NGOs.

Back in Klotskii district in 2012 in the office of the mayor, the rather young mayor, Ilia, was himself not talking so much but the women around him were. For the community, apart from the forest, developing tourism was the most important activity. It was a matter of using local resources and something had to be done for survival as they had no new industries. The three most important aims were to keep the population, increase employment and develop small-scale entrepreneurship. The state owned land, but paperwork was hindering its use; they could not expect investors from outside, thus they needed to promote investment by local people. There was a lot of land nobody was interested in. The forests were already divided, and at least some processing had been developed. They were used to large-scale forest harvesting, but they had been less successful in developing small businesses. There was a need for training about how they could promote activity among people, and the local population needed to be encouraged to take the initiative. There were many possibilities to get financing from above. The regional programme could provide 300,000 roubles for starting something in places where factories, educational units or military bases had been closed down. The vice-mayor told about plans to compensate Demino for the closing of the vodka factory. Administration would provide five jobs at the house of culture for the development of tourism, and was considering the possibility of starting a summer camp for children. They were also discussing a plan for constructing a special ecological profile at the local school. There was a further possibility for five individual entrepreneurs to get support as they started a cooperative. The district organised training in the form of seminars for local heads about various possibilities. This was the third year this district took part in the regional programme, and there were good results. The previous year, 20 new business developers received support in the form of subsidies or a free study tour.

Elena described the principles for the distribution of money from the regional level to districts. According to her, this was only the minimum amount of money,

just enough to cover survival. Schools, places for medical assistance and shops had to be reachable by road. The electricity should work and people should have access to firewood. In this district the regional level only provided 20 per cent of its budget. This was directed towards teaching people how to support themselves. The district also tried to support agricultural development but it was not always clear to which regional ministry to apply for project money. There were also plans for social development, to build a swimming pool and new facilities for childcare. The latter was almost finished in 2014, as we could see on our next visit. They told us about the ski roller track and plans for arranging federal-level skiing competitions. There were also plans for developing ecology and healthy food. A barn for some two hundred cows, financed by Alexei, an important local entrepreneur, was finally under construction. So maybe, after all, Alexei was fulfilling his promise to the earlier mayor, Alexander, to create work places for the forest concessions he received earlier. All in all, although decisions have been made from above at the regional level that they have to adjust to, the impression was that the district is really taking many decisions on its own as well.

Struggling with the programmes

A local female head from Sarovskii district recounted how they try to take part in all the state programmes (interview, 2013). Interviews also confirm that local authorities are able to mobilise the resources of local entrepreneurs for combating poverty in Russia. Local officials and politicians use their own human capital, as well as help improving the skills of the local population through projects and educational programmes (see Sätre 2014c). There are programmes which a village, a municipality or a district can succeed in taking part in, such as improving roads, renovating houses and building sports centres. Another local head (interview, Lopatino district, 2013), a former police officer in an urban village, described how he manages to keep the young people in the village by providing them with jobs through taking part in such programmes. It appears that this has been a rather successful strategy. The federal programmes require partnership with private companies. Within the framework of the programme for infrastructure which continues until 2018, they are building roads, street lighting and heating.

In 2014, Elena reported that Klotskii district was participating in a variety of presidential programmes. These are programmes for infrastructure, sports, tourism and the construction of houses for the elderly and for employees working in the budget sector. She outlined plans for the ski resort area: there was a need for more beds for upcoming skiing competitions. They participated in the regional programme for building houses. The district has borrowed money for building flats, and 35 flats for employees in the budget sector have been built according to plans. But they had to borrow money for this, and it is not yet clear how they will pay back the loan. However, she believed they would find a solution. This has been prioritised as it helps them to attract employees with special competences, for example those specialised in health. Elena named the two different

programmes they used to support young families, ‘the programme for young families’ and ‘the agricultural programme’. She described two possibilities for young families to build their own house. One possibility was to use all available subsidies for families, along with the loan of 300,000 roubles they can get. The other possibility is to be sponsored by their employer. Most likely, the latter is the easier way (interview, vice-mayor, Klotskii district, 2014).

In 2014, the Klotskii district took further part in the housing programme enabling people to move out of houses that are in a bad shape. Those who applied for support in 2012 were actually getting new houses two years later. Those who applied later were in a queue, perhaps getting new housing the following year. The district was also taking part in a programme for cultural development, ongoing up to 2016. In 2014, each school had computers and they were in the process of getting new resources for the libraries. Schools and libraries had already bought computers, but not all libraries yet had the Internet. Elena mentioned the childcare centre that was under construction. A lot of children were being born, more than in previous years. Perhaps the right to get a special subsidy for mothers called the ‘mother’s capital’ has stimulated increasing birth rates.¹² This particular district participated in a programme aimed at modernising education. Up to 2014 they could prioritise what they wanted to do – if, for example, they wanted to buy new windows for the school. They have invested in summer camps for children and old houses from the Soviet era have been renovated. We saw these houses from the outside: they were covered with a new material which looks like wood but is a kind of plastic. Whether it will work in the long run remains to be seen, but nobody seemed to question it.

Thirty new houses were planned to be built; there were just walls now, the funding having come to an end. As they already received money from an entrepreneur in St Petersburg, they had to find a way to get more money. They took part in a federal programme for improving access to disabled children. One local school was being renovated to cater for around 110 children with some form of disability.

Elena stated that Klotskii was the most successful district in the region. The research team has witnessed a clear development since the first visit to the district, eleven years earlier, in 2003, and also after the previous visit two years earlier. The year 2009 was a real crisis time as all the funding was cut. Nevertheless, they were still able to build a snow hotel, the first one of its kind in Russia. This was financed solely by sponsor money. As to the future, ‘the European Taiga’, the planned national park, was something they were fighting for, hoping for it to get the status of an ecological park. They have prepared the necessary documents and if they succeed it will become the first national park in the region. One idea is to get a local company to produce clothes (with the ‘European Taiga’ brand). They hired German designers to help them to develop the concept which would attract tourists to Klotskii. Another plan was to develop food culture, a ‘gastronomic map’ for the community. It could include a spring festival with Azerbaijani food, another event with Belorussian food, and so on. They try to attract people to get married here. It is clear that Elena was trying to use whatever is available. The rather timid earlier attempts to develop a network

of mutual support between the handicraft centre – of which she was in charge – the textile firm and the tourism firm had become more solid. These activities are always on her mind. As for the male entrepreneurs, she has established a rather close cooperation with one of them.

At the visit with the mayor of the neighbouring district a few days later, we heard that he had another opinion. He strongly opposed the idea of a natural park, because it would mean leaving the forests out of the harvesting programmes in the park area.

On the way out of the district centre, there were several places with new buildings. A retired police officer had financed the building of a block of small houses, where people had just moved in. On the fringes of it he had built a kind of small tourist village, a few cottages to rent for tourists. These are all wooden houses with modern equipment inside, displaying also hunting culture, with stuffed birds, the heads of animals and even an entire wolf.

However, as already mentioned, there are other places which are not doing well at all because of a lack of money and local companies.

Development efforts

Small town 2014

Vladimir is a newly elected mayor in a small town. He is a former police officer. He described the special programme in the region, which is similar to the presidential programme, with the aim of preparing for the one hundred year anniversary celebrations of the region. All communities participate in this programme. This means that they have to plan what kind of investment they want to make, along with the kind of co-financing they have for it. They were searching for co-financing, and this was not an easy business.

We had heard that a lot of the subsidies were given in different forms to young families in other regions and asked about their experiences here. Yes, their district had families on the list waiting to take part in the programme. Many families want to find the financing for building houses, and some had already managed to use this opportunity. One such programme is targeted at young specialists, such as medical doctors (*mediki*), teachers, cultural workers and trainers. This is actually part of the agricultural programme for rural areas, which is one of the four presidential programmes, often mentioned in other places as well. Also poor families have, in principle, the right to benefit from this programme for young families, but as you need to pay a part of it by yourself it is difficult. A further opportunity is to get 300,000 roubles to start a business, given that you can provide 75,000 roubles yourself, that is 25 per cent. The recipient has to show how the money is actually used for three years. A medical doctor receives one million roubles for building a house in a village. After five years he/she becomes the owner of the house and has the right to sell it. For local authorities it is a matter of how much the district is actually able to contribute. The mayor's opinion was that teachers get enough benefits, as they pay neither for living nor for

firewood or electricity, only for water. Teachers have kept benefits dating from the Soviet time, which means that teachers in the countryside get paid 15 per cent extra. They had seven young specialists, all teachers in the district, two of whom lived in the district centre and five in the villages.

It has become more common that families in villages take foster children. This helps villages, as local schools get additional children, and it also means salaries and a job opportunity for the foster parents. As such you can perceive the foster care reform as a reform directed against poverty: it contributes to improving life conditions in the countryside in places where there is a lack of solvent companies. The social sector also provides other jobs, for instance in care centres for the elderly, which have been set up in smaller places. In Verschim an old people's home with 400 places offers services for elderly people from the entire region and provides some 250 jobs.

People get information about possibilities to benefit from programmes through the Internet, but also through television. Local officials also visit villages, usually holding meetings in a library. Villagers might also benefit from mobile services (such as ordering medical services, hairdresser services, etc.). This mobile system is financed by the community so that people do not have to travel to the district centre for such services. Although the regional level is responsible for social issues, people can visit the social centre in the district administration. The mayor thinks it is important that they have kept the centralised library system, which facilitates the spreading of information through libraries. His district had the lowest average wage level in the whole region. About a third of school children got free school lunches. The poverty level has stayed more or less the same as before. In some ways it is, however, easier for the poor. It has become easier to get help with clothes, other kinds of support, and compensation for the costs of childcare, which is something that families working in agriculture can also use.

Agriculture was developing rather well, according to the mayor. But this district used to be agricultural land, and the community was trying to hold on to its position as the most important agricultural community in the region. Demand for expansion has, however, increased from above. There should be more focus on local production, for instance locally produced milk. Earlier there were some 30 family farms, but now there were only ten! Vladimir really wanted to change this trend. Industry is dominated by forestry. Building a gas network was under way. This is really expensive, but Gazprom finances part of the cost and the regional level pays the other part. Pipelines have been built but gas is not yet supplied. Unfortunately the sawmill which used to produce for export has been closed. Now they want to implement the rule that in order to conduct forest felling, you also have to engage in processing. The forests have been rented to larger companies, although the local companies are usually small.

District centre 2014

'Something is really wrong in the head of Russia', said the mayor (interview, Volski district, 2014). For Fedor it was impossible to understand that Russia,

which is such a rich country, nevertheless is a poor country. 'We have everything, why should we bother to save on something?' He was clearly upset when we talked about problems of poverty. He was also upset when we talked about prospects for development. This used to be an agricultural community, but now practically all incomes (92 per cent according to him) come from the forest industry. The mayor described the fall of agriculture as a pure catastrophe for the villages, which eventually caused many people to move out. Nevertheless, there are still people left in the villages. But, according to him, these are the ones who do nothing to improve their life. They are used to their low incomes, ten thousand roubles per month (about €250) is enough for them, and they do not need anything else.

But the mayor mentioned many achievements, most connected to forest felling and the processing of timber. The local companies produce furniture, and much of the timber goes towards house construction. There are both large and small companies felling forests. The small companies are more valuable as they contribute to local development. There are no longer problems of illegal harvesting, thanks to better monitoring, he said.¹³ He mentioned a firm that did not wait for its harvesting permission to be granted, that had simply started to cut without it. They were caught, and subjected to a fine of 40 million roubles.

The demand for timber has increased over the last ten years, partly explained by the possibilities of getting long-term loans. The increased use of firewood is another factor, as well as the increased investment in technical equipment and in processing. But the larger forest companies do not take any responsibility for local development, he claimed, only the smaller ones do.

The regional level is also helping out. It contributed to financing the renovation of the ferry and it is building a childcare centre with 200 places, renovating houses, and replacing old accommodation with new. The hospital which was built in 1918 is being replaced by a new one.

The mayor was critical of how the rules for getting support frequently change. One example is how a plot for building private dwellings is given away, without checking whether the families really want to build. So far 400 new houses have been built. Families build houses themselves. This is good, provided that they build on their own land, as they will establish closer ties to the place. But conditions vary depending on whether the land had belonged to a *sovkhos* or not. Land that belongs to the community can be given away for free, but getting previous agricultural land is more complicated. And in the end, who wants to build on land they do not own? They can never sell it. On the other hand, land is sometimes given to people who are too lazy to build their own house. Then they can sell the plot they got for free, at least after a couple of years. 'Let them stay in the barracks', he says. He also talks about how and when families can get timber cheaper or free of charge, and when they can get free plots or may rent them cheaply when they wish to have a larger plot.

The mayor held the view that any development is based on forestry. Agriculture is unimportant and he does not really believe in tourism. Nobody wants to pay for tourism, according to him. 'People want to have guests, and to be guests, themselves,' he said. If you want to develop tourism, you should really focus on the

rich who might want to hunt and fish. He refers to ‘the tradition of running away from civilisation’.

The mayor had invited us to take part in a concert at the house of culture later on that very day. But this was not only a concert with a lot of singing and dancing, it was rather a celebration of the 25th anniversary of the withdrawal from Afghanistan. It was held in honour of those who had been soldiers in this war. Between performances, there were patriotic speeches and the mayor gave medals to the soldiers. This war was lost and used to be a forgotten war, not to be remembered, and the participants did not bathe in any glory. But now these men were here with us, and they were described as heroes, and praised as good examples of patriotism and masculinity for the younger generations – school children filled the auditorium. The message was targeted at those who would be defending Russia from her enemies in the future.

Forest village

The local head (interview, 2013) entered and we moved to his room. There was a long meeting table but he met us alone; only one entrepreneur stayed for a while without saying a word. The head had a T-shirt with big letters RUSSIA on it. He has been leading the municipality for 24 years. We did not need to present ourselves, he said that in this village information among people spread more rapidly than inside the FSB, the Federal Security Service.

He said that everything was decided in Moscow, but he was in any case responsible for anything that happened here in Verkh-Borovyanka. These were difficult times. He had to take out a loan to be able to pay salaries. He was also responsible for the taxation authority. It was like in the 1990s, they could not pay salaries. They built the kindergarten and the club house in 1987, the school in the 1990s and then six houses for teachers. They were promised a swimming pool but never got it. They built a house for 80 school children instead of the 500 that was planned. More funding could not be received. The sports hall could not be renovated, nor the chapel. Nowadays nobody was building, the only exception being the fireman. They did not have street lights; people only had their plots for gardening. Nobody wanted to get land for agriculture, even if they had the right to five hectares. They did not want to pay taxes. The municipality also got land but could not pay taxes either.

The municipality previously used to give forest harvesting rights to entrepreneurs, who then assisted the local administration in different ways. They had their own forests, and he described how he had asked the governor to give some more forest, but no one cared about their problems. In this municipality there were only small poor entrepreneurs, working by themselves almost without any employees. Now they had lost the possibility to take part in the auctions for harvesting rights in the forest, as there was a lot of money coming from Moscow or St Petersburg to buy these rights. They had such big vehicles that they had broken the roads and the bridge here. Their entrepreneurs had to repair the road. After a flood they waited for four months for the public roads administration to repair the bridge but

nothing happened. In the end their ten entrepreneurs carried out the repairs as it became urgent in order to get food for the people. Now he had to beg from the entrepreneurs. 'Renting forest to entrepreneurs does not work, not in Russia, it has never worked and will not work even in the future.'

He was not a member of United Russia; he belonged to the Communist Party. He did not have good enough contacts with the power-holders. The governor promised to help; instead, however, he gave the forest to another district. The local head saw no alternative possibilities for development, and was not interested in small projects like TOS, which have no real resources to offer. Neither did he believe that local people could develop any ideas of their own. He could not even trust them enough to let them use the house of culture. They could not afford to pay a salary for the leader of the house of culture therefore it was closed. He had kept the key himself and showed us the building.

The local head explained that he gets 60 different directives from the regional *duma*. These concern funerals, fire protection and telephone lines. The prosecutor had started a process against him. He mentioned this in the same breath as he mentioned that he had not paid salaries for half a year. He was afraid that the municipality would be united with some of its neighbours. 'Democracy means to follow laws; we are not able to do so.'

The role of deputies

In the building of the Klotskii district administration, just at the entrance, pictures of the deputies were hanging on the wall. We recognised many of them, whom we had met during earlier visits. There were former mayors and vice-mayors and the heads of social services. Deputies are those who had important positions in the district or had been active in other ways. It was, for example, interesting to note that Alexander, who was mayor ten years ago but was not re-elected in 2004, had a position as a deputy. Another of the deputies was Svetlana, who had returned from the regional capital after three years as a minister of culture at the regional level. She provides a clear example of people who have been active in different posts for many years. At our first visit to the district in 2003, she was the head of culture and the following year she became the vice-mayor responsible for social welfare – a post she held until she got the post as the minister at the regional level. Over the years she had been active in the women's council and in 2014 she was its chairperson.

A similar person in another region is Anna, who was already the head of the village administration before the local administration reform. There was no money in the budget and a hostile mayor of the district, as she said, but she managed to organise local inhabitants to rebuild the chain bridge between the village and the bus stop. She was elected as a district deputy, then nominated to the position of district mayor, and then she became a deputy in the regional *duma* with responsibility for rural questions.

According to Svetlana, people have become more active everywhere. There is a gap to overcome: how to unite people around common ideas and their

implementation. 'We have forgotten how to solve local problems ... we have to work with ordinary people.' She spoke about TOSs, which are quite a new way of organising local projects to solve some concrete need. TOS is not a legal person, but in principle you could transform a TOS into an NGO, although it is difficult to register small organisations. Also, TOS is usually created for a specific task, their nature is temporary. Therefore, it has in some cases been easier to use the women's council which already had the status as an NGO. For Svetlana the role of deputies is to promote democracy. It is about what documents and what legislative changes are needed to achieve the missions. She has been chosen by the people, which means she has to meet them, listen to them and solve problems together with them. Another duty is to inform the newspapers: Svetlana has herself written in the local newspaper, being critical towards changes with respect to Law 131.

Being a deputy has helped Svetlana in her role as the chairperson of the women's council, which started 15 years ago in this district. There are 15 women on this council, and there is another registered women's council in the region, and also several women's clubs in the villages which are not registered. They have a women's forum and an annual conference. It is very much about women's initiatives and local self-management. In the meetings, which are also held in the villages, they discuss women's employment, healthcare and children's health, as well as clothes, beauty, massage, etc. Svetlana emphasised how important it is to have experienced women participating and there are educated women everywhere.

Oxana, the head of social services, is also a deputy. She described the meetings they have had in her *okrug*.¹⁴ She spoke about her role as a deputy and the finance she has to find for local projects. They renovated a small bridge and now they were planning to renovate a house of culture. She also mentioned that TOSs have been active in her *okrug*. She receives people when she meets with those who want to apply for something. So far TOSs have been focused on developing sporting activities. She tries to encourage initiatives and distributes any information about possibilities that are available at the administration. But Oxana thinks the activity level among people is generally too low. She approaches people herself, trying to find those who need support.

Liubov took part with two other women in our meeting in the administration of Stroski district in 2014. She was one of the 19 deputies in the district. Each deputy represents their own village or larger part of a settlement. This means that she is well aware of all the local problems. She meets those who live there and they discuss what to do. She is also part of a group which coordinates deputies. Five deputies are also the local heads of municipalities. They focus on different issues, such as medicine, health or culture. Liubov emphasised that they were not just focused on solving problems, they were trying to learn from each other and to contribute to a better life. In Stroski also the social work specialist was a deputy. In her role as a deputy, she handled foster family questions. She provided information to the commission, which in turn makes decisions about placing children in foster families. As so many times before, it is clear that she had a double function: on the one hand she was supposed to have a controlling role; on the other she should help development.

In Volski district there were 18 deputies, half of them women. The mayor told us how they must prioritise social questions: this is necessary, as otherwise the young people will leave. In another district Alexandra is one of eleven deputies, chosen as the representative for two roads in the village where she lives. Among the other deputies were two teachers and the headmaster from the school. She was prepared to continue, provided that the mayor remained, despite the fact that she felt powerless. The deputies do not have any power and no right to make any decisions, but are just able to provide advice. They do not even have their own budget. Alexandra did not get paid but felt that her role was intermediary. People in her roads come to her with their problems, then she goes to the local head to discuss what to do or she discusses it in the village council (interview, deputy, 2013).

Vladimir (interview, small town, 2013) was one of the deputies in a small town. He has some sort of disability, evident when he is walking. Classified as an invalid, there are many jobs he is excluded from, although he himself thinks he would be able to cope. The social services often turn to him. He thinks poverty has something to do with mentality:

People are not used to making a budget. They postpone bills and think ‘why should we pay’. They just use whatever money they get. Then their debt grows, and eventually they have to sell their flat.

He himself was brought up in a children’s home, and only started to walk when he was eleven years old. But the director of the children’s home provided him with books. He learnt that when he was 18 it was time to leave, but he did not know how to manage everyday life. Eventually he learnt through his own experiences. He was a single father with three sons. Now he was helping others. He was the leader of an NGO for disabled people. All the others call him and he tries to answer, checking on the Internet if he cannot answer right away. He helps with documents and advises on simple economic matters. He knows the problem families where women have started to drink.

To sum up, Svetlana was talking about the role of promoting democracy while Oxana emphasised local development, but also the obligation to report unfortunate circumstances. Yulia emphasised the role of controlling power (September 2014). But she was also talking about the free discussion that actually exists. The local administration is obliged to report to the deputies. Yulia was elected by her village in a tight contest where the other candidate represented the ruling ‘United Russia’.

Project administration

In the Arkhangelsk *oblast*, authorities have supported local projects, and hundreds of TOSs have been established all over the region. The money for a TOS goes through the administration, NGOs or through schools. ‘An explosion’ in the number of TOSs has taken place in the Arkhangelsk *oblast* during the past ten years and in some other regions, for instance in Kirov City. According to Yulia, in Karelia local inhabitants came together and formed a group around something

they wanted to do. A private entrepreneur helped them with the formal documents. TOSs are still in their infancy. As long as they are not juridically registered, they have no money and consequently no resources, she said.

In Lipovka, Ludmila believes that work at the local grassroots level has improved the possibilities of succeeding. But in the village where she lives there was no success. There were a number of misunderstandings and instead of cooperation they ended up with competition within the local district. Nevertheless, they did get some results: the restoration of a war memorial and a playground for children. A choir was started by the women's council. They should have, thinks Ludmila, changed their village association (*obshchina*) to a TOS to get funding from the regional administration (interview, 2013).

The idea of creating a ministry for local development came from a deputy, and the number of TOSs started to grow radically since the ministry was in place in 2011. Such ministries exist in only two or three other regions in Russia besides Archangelsk. At the meeting in 2014 with three women at the ministry, it became rather clear that the role of TOSs, the role of deputies, the law on self-governance and rules for the election of municipality heads are closely linked together. According to them, the creation of TOSs was one of their priorities, 'as a way to create bridges between the power and ordinary people' (meeting notes, 2014). The governor himself had visited some of them. It used to be common to see a TOS as closely connected with 'babushki'. But this was wrong: although 75 per cent of those who engage in TOS are women, there are many young people involved in recent developments. Seventy per cent of the people active in TOSs are thought to be between 30 and 40 years old. These are usually young families, who want to improve ordinary life conditions. In the beginning TOSs were created in the countryside, but now they are found in many places, although less commonly in the towns. They are not perhaps created by the poor, but there are examples when the creation of TOSs has been a solution to social problems, when, for example, the only *sovkhoz* in a village has been closed down.

Conclusions

Elena provides an example of how she, in her position as vice-mayor in a district in the backwaters of Russia, has actually been able to make a difference through her own actions. Based on our experiences, this varies very much between communities as well as within communities. The persons in charge, their competences, experiences, attitudes and views are truly important. This is not to say that the right person could make a difference anywhere. Circumstances are extremely important as well. What is striking is the feeling that the communities appear to be working largely as isolated places. Community life is organised in various ways and the awareness of development trends and possibilities is rather diverse too.

In some communities like Klotskii, economic and social development has really got underway. However, the tendency to isolation may imply that democratic trends may remain local, and they may be stopped or hindered in changing circumstances.

Notes

1. Local municipality (*poselenie*) administration consists normally of several villages. See Chapter 1, note 1.
2. Three years later, some of the projects were completed by means of borrowed money, but the cottages that had been built at the ski resort three years earlier were still empty skeletons.
3. On the division of duties and resources in the Soviet time between the lowest, village level of administration and the state farm, see Alanen (2001: 66–8).
4. For example, a new Law No. 121 on the Monetisation of Social Benefits, which converted in-kind benefits into cash allowances and transferred responsibility for welfare from central to local authorities, was introduced in 2005. Another example was Federal Law No. 122, 22 August 2004. A key task of this law was to divide administrative and financial responsibility for providing *l'goty* (social services) between the central level and the regions, which means that regions support two-thirds of the recipients (see Wengle and Rasell 2008: 743–4).
5. This is particularly evident at the regional and local levels, as while the more volatile and unpredictable revenues from profits go to the region, the more secure sources of income go to the state. (See further Thiessen 2006.)
6. The increased responsibility at the local level after the reform is reflected in an increase in the number of employees at local government bodies (*Rossiia v tsifrakh* 2008: 60).
7. According to Wengle and Rasell (2008: 741), in 2002–3 the value of in-kind benefits represented 10–15 per cent of the income of poor households receiving benefits (*l'goty*) while the figure is likely to have been much higher in the 1990s. See Lazareva (2009: 9–32) on the procedures for transferring assets from firms to municipalities, and also on the joint usage and financing of transferred assets.
8. One example is that local service providers of utilities and municipal transport systems have often had to bear the costs of providing discounts to eligible benefit recipients, without being compensated by the authorities (Wengle and Rasell 2008: 742).
9. One example is how officers barter the labour of conscripts for goods or services with local politicians (Barany 2008: 597).
10. The same person is in control in most businesses, and there is another who is still in charge within the timber business, although there is a new name as well.
11. The same women are also active in the women's council. Thus, for example, women with political positions on the regional level hold similar positions in the regional women's council. The situation is similar at the district level and within villages. They all go to the region's main town for an annual assembly (interviews, three women at the district administration, 2008).
12. The 'maternity capital' reform (*Federal'nyi Zakon No. 256-FZ 2006*) came into force in 2007. It is aimed to encourage women to give birth to a second or even a third child by providing families with a substantial financial incentive (Saarinen 2012: 236–7).
13. Olga Ulybina has analysed illegal harvesting which is of course difficult to understand exactly; however, she has come to the conclusion that there is no information about a general change in illegal harvesting after the new legislation on forest protection in 2006 (personal communication, 8 October 2015).
14. An *okrug* is the area of locality which a deputy represents, for example a couple of roads or some villages.

4 Entrepreneurs

‘It is very fortunate that locally there have probably remained many honest entrepreneurs who want to work within the limits of the law and who earn money through their own work, and not by means of corrupt deals.’

(Yulia, small entrepreneur in a small town, 2014)

Yulia had worked in local administration on cultural matters. She was now retired but continued working as a small entrepreneur, teaching foreign and minority languages among other things. She personally knew many honest businessmen, but added that it was increasingly difficult for them to work with today’s authorities. Some of them succeeded in running their enterprises within the jungle of post-Soviet bureaucracy and during emerging new legislation that often remained unclear. They worked in a social space which collapsing state companies had left in a chaotic situation of increasing unemployment, poverty, alcohol and drug use in villages where houses and roads cried out to be repaired.

Margarita is a hotel owner in the small town of Lopatino. She described how her business started from the orange and ice-cream trade (interview, 2013):

How did I start? We started a really interesting business. I was a teacher in a school in Sheksna. I am from there, I lived there for 21 years, was born and grew up there. And here, when the disorder came upon us in 1993, then this business activity ... My husband bought a small car, well, in spite of that we had to turn one ton of oranges into cash. This was because it was not good to sell these oranges in Sheksna. Everybody knows a teacher, there were 2,500 pupils in the school. I said ‘we will drive to another town’. My husband is from here himself, from the district. We carried the oranges here and sold them, and so we created our first capital and everything that started, what is now our business.

I was still working in the school then with some administrative tasks. And then I gave birth to my second child, anyhow, I could keep my job, when I was on maternity leave. Well, thereafter I was drawn to business. We made money ... And we decided to move here – that was in 1994.

What did we start with here? We did business with ice-cream ... Yes, here on the street as a street vendor. And then we started to sell it in the place where pies are now sold, a little stall. That was a kind of guardroom, down there. We worked ten years as street vendors. And one point it was said – probably in 1999 – that it is necessary to build small shops instead of stalls in order to get rid of such kennels ... While we were working as street vendors, we bought a one-room flat in the city. It was so simple that a woman came to me and said: ‘Dear lady, wouldn’t you like to buy an apartment? I have to sell it and I will not take much for it.’ And so we bought a one-room flat for 30,000 ... not dollars but 30,000 Russian currency ... for 5,000 dollars ... Yes, we bought it really cheap. And when we were obliged to build a small shop instead of that kennel, we had no capital. What to do then? We were forced to sell the flat. We sold it for 62,000 and took instead a small ironmonger’s shop. A company built it for us, it took 11,000. We had just built a small shop and then inflation began ... We had just settled the bill and then came inflation. I still had money then, I do remember our money, 2 million. And when that perturbation started, we tried to find a commodity to buy, and it became more and more expensive ... each day.

How to start a company

Collecting initial capital is possible in many ways, and small trade, as exemplified by Margarita, has been one of the most common methods among small private entrepreneurs. The first enterprises had, however, been established earlier, already during *perestroika*, 1985–9.¹ The concentration of the state’s industrial property into the hands of oligarchs started during *perestroika* and continued rapidly in the Russian Federation, leaving most of the population outside of the fruits of this process. In small towns and villages, closures of industrial units rather than the establishment of new businesses were the most common feature during the whole decade of the 1990s.

When the Soviet system collapsed in the 1990s, officials were forced to privatise resources or convert them into capital by means of licences, permits or tax allowances. The Russian government privatised state property by transferring it to labour collectives. This gave each worker and pensioner the opportunity to get a small amount of property for his or her own use. The privatisation reforms also opened up the possibility of individuals becoming owners of firms. This meant the possibility of getting access to capital in the form of bank loans, for those who were able to provide a warranty. In practice privatised property was rapidly becoming concentrated in the hands of only a few owners, normally the elite of each enterprise. Because in rural areas and small towns the agricultural farms and forest industry had been basic economic organisations, a part of their property was also transferred to new private enterprises, such as farms or sawmills. However, many small entrepreneurs started in the same way as Margarita, without any transfers from Soviet enterprises. Trade and shopkeeping were new economic branches in Russia, in which the market economy really brought a

boost even in the smallest municipalities. Old Soviet shops had often been a part of an agricultural enterprise or a large cooperative structure but now new shops were opening everywhere. Tourism was another new branch, with very weak infrastructure outside of the larger cities and therefore good prospects for development. Small businesses emerged in the service sector (shops, bars, repair stores), in forestry and in various combinations of farming and small business. Sometimes new entrepreneurs succeeded to get or could cheaply buy a single machine or a building to use in business, an old tractor or a sewing machine as in the case of Zhanna (interviews, 2002 and 2003; Clarke 1992; Nikula and Tchalakov 2013: 351–84).

Marina, together with her husband, used to run a sports school which was free for children. Their salaries were paid by the state. They also kept a shop in the village with some relatives. This made it possible to get money for the first cottage, which was built in 2003. They did not earn much from the shop after paying salaries, taxes and repaying the loans taken in order to start the shop. However, some money was left for Marina to put into the development of a tourism business. Since the first cottage, the ski and tourism centre has gradually been developed, partly by state money and partly and increasingly with money from the private sector (interviews, tourism entrepreneur, 2003–14).

Igor started a business together with his brother in harvesting the forest, processing the timber and selling it. In the northern parts of Russia one could rent forest from the state, harvest and sell timber to accumulate capital. A *leskhoz*² director in the Karelian Republic gave figures: in the early 2000s there were about 600 companies using the forests and around 30 companies renting the forests. At that time the possible rental period was four to five years but later it became possible to rent for 49 years (interview, 2002).

Igor's brother was working as a forest guard while he himself had served in the military. Igor had been in Ukraine, Moldova and Yakutia, but he left the army in spite of good opportunities for making a military career and returned to his home district in 1992. His father was the director in a state enterprise and he himself together with his brother established a small company to harvest and process timber. Igor was now the director and gave us the interview. They rented some forest and started with one brigade of eight workers, logging trees and building cottages and *banyas* (sauna) as handwork. Later on they took a loan and bought their first tractor and soon also a lorry for timber transportation. The loan for the tractor was received from *Rossel'banka* and the tractor was the guarantee needed. At that time inflation was high, as much as 300 per cent a year. They took a private loan for the lorry from their friends. Igor studied management for six months and completed his studies with a few weeks in Finland familiarising himself with business accounting, banking and other questions. This was the beginning.

Valeri had just received his diploma in engineering, but was never assigned his first job by the authorities – the three-year appointment which was customary in the Soviet period. As this was at the end of the 1980s when everything was starting to happen, he had to find a job by himself. Having heard about the new rights

to set up private businesses, he decided to try. He took some samples of fabric with him from his home town Ivanovno, which was the main town for textile production in the Soviet period, to a shop in another town. He received his first order. Half of the money was paid directly while the rest was to be paid upon delivery. He went back to Ivanovno to collect new samples. He was lucky to grab this opportunity at the right time when deliveries between towns in the Soviet Union were just breaking down (interview, 2006).

Gradually the orders got bigger and everything went fine for the first three years. Then suddenly a truck was hijacked and simply disappeared, and he lost everything. That was the end of the textile trading. He had to sell all his belongings to pay back his debts. He was offered another job, but was cheated out of it, ending up without a job in a one-room flat with his family: his wife, three children and a dog. Then Valeri started to sell apples and cabbages at the market with his wife. He heard about someone who wanted to trade paint for a small percentage. But it was 'business in the Russian way (*business po-russkii*) – there were neither paint nor customers'. Valeri had to find the paint himself, going to Moscow to look for it, without success, then to Yaroslavl. He had promised to deliver 10,000 tons, but was only able to deliver the 50 tons he had been able to get hold of in Yaroslavl. This was just a sample, he had said, he would come with more if this was what they wanted. He revealed how he presented himself as a well-off entrepreneur, adding a zero to each order. Valeri had started ten businesses, entering new branches gradually. Although taking risks, he was able to spread his activities, and had managed quite well through the different crises. In 2006, he was running four different businesses, one of them together with his wife.

Vladislav (interview, 2003) lived with his mother in a small house in a village at the end of the road, 120 kilometres from the community centre. At the time of our first visit to this village there was only a small poorly equipped shop. There were six or seven school children in the village. The nearest school was in the next village twelve kilometres away. There was another village a little further away which you could reach by skis. The house where Vladislav was born had burnt down and he was building a new one. He had been married, but his wife had moved to Moscow with their two children. In 2003 we talked about his efforts to start a business in the village. They had a few animals and potatoes. He had a few ideas related to agriculture and tourism. They started a village development group. His mother was sitting in the other room, but it soon became clear that she was listening to our discussion. She interrupted now and then correcting what her son had said. Vladislav is the only one who is working in this village, she said ... They had built a water station and they paid someone for keeping the ice-hole open in the winter. The road to the village had been damaged by the heavy forestry trucks. The attempts to build a petrol station had been abandoned, as they had not been able to get the required documents. Therefore they had to go all the way to the community centre to get petrol. Vladislav revealed his plans to establish a collective farm. He had two horses, but he gave one of them to Dmitry in exchange for a tractor. That year was really bad for farming with too much rain. Nobody wanted to buy their potatoes. The money that the village council had

borrowed from the region was already finished. It had been spent on petrol and spare parts for the tractor. They had to slaughter animals and sell the meat to get money. The next year Vladislav, at the age of 42, died from a heart attack.

Elena and Tamara (interview, 2003) were living in a small village in Sarovskii district. The picture they paint about the development was a rather grim one. There were just a couple of *sovkhozes*³ left in the surroundings and they paid low salaries. The law did not work. It was really difficult for private firms to get hold of equipment. It was troublesome to get the needed documents to start a business if you did everything by yourself. And even if you succeeded in registering your firm, you could encounter other difficulties which mean the business exists only on paper.

Elena and Tamara described their plan to start businesses in addition to their permanent work, in order to fully devote their time to private business after retirement. They claimed that the local authorities were unwilling to let them use an abandoned small house, which would have been appropriate for their plans. They had showed their proposal three times to the local head. Elena's husband had an idea for developing 'cultural tourism'. They had both worked as vets since graduating from university in St Petersburg, but now they were approaching pension age, which is 50 for women and 55 for men in northern areas. They no longer received the bonus in salary which workers in the Russian North were entitled to in the Soviet era.

According to them, you could borrow money if you paid interest of at least 40 per cent. And you could register a business within one week, if you paid enough. There were several firms you could use, giving them passport information and a sum of money. Then you would, in addition, have to pay for permits from the health authorities, the police, the fire authorities, electricity, water and energy – each one wanted around 10,000 roubles, and you had to go to the town for each document. 'It is impossible to set up a private business' was their conclusion. They talked about other attempts they had heard about: how a chicken factory had to close and all the chickens died as they did not get any food; how an agricultural firm had to pour all the milk it produced into the river and on the road as they could not transport it. They described the chaotic situation, how directors came and went and how they had been privatising everything, harvesting forests to earn money and build fancy houses.

Three years later in 2006, Elena and Tamara had, for some time, been trying to set up businesses for the processing of berries. They had failed to buy a small house nearby. They had the option to buy or rent it, but the price was too high, and if they wanted to rent, they needed pay the rent for three years up front. But they could not trust such a contract – what if they were to repair the house and then just lose it? They were both also deterred by all the documents that were required to get started. Four times a year they would be forced to pay bribes to local officials who would come to make checks. In 2006 it was apparent that these two women saw much more difficulties than possibilities. Tamara had already been dismissed from work, and Elena had prepared herself for the same as she turned 50 that year, which means that she was not protected from losing her job.

Nobody can live just on a pension. But for them it is easier to run their businesses directly from their kitchens, informally, without being registered. Elena's husband had abandoned his plans and worked as a night watchman for one of the private entrepreneurs.

Two years later, in 2008, nothing much had changed. Elena and Tamara did not get anything when the land on which they had been living for twenty years was sold in an auction to those who could pay. The agricultural industry was about to disappear: in 2001 there had been fifty cows in their village, in 2008 only five. Tamara was planning to teach how to make cheese, small-scale methods that can be used for making cheese in your own kitchen. Finally she and Elena had received the certificates they had been waiting for. Tamara now had the right to process milk, which meant that she could start her own business. But neither she nor Elena believed they would actually get the support from the region that they had been promised. They gave many justifications for that. They had visited the mayor five times and he had tasted their products each time, but they still did not have any place for producing them. They had been offered a place to rent, but on condition that the community could finish the contract with only one month's notice. While waiting for the contract, windows were vanishing and the need for renovation kept growing. Elena's husband was helping by building the facilities they needed at home, and thanks to him they had running water inside the house. It was already almost twenty years since he had lost his job at the laboratory, where the salary was really bad although he had had a university education at St Petersburg. He had his own construction business, but this was not registered. Actually, he had several small businesses. He sometimes worked as a photographer or a tourist guide, narrating the history of the environment, and also, using his knowledge from his job as a vet, he sometimes took on the role of a medical doctor. This is the way to survive, he said. At least he earned more than his wife, who was still employed (interviews, two women, 2003–8).

Late in the evening of the last night in October during the very first field trip in 2003, there was a ring at the door of our rented flat in the district centre. It was Dmitry who had been much talked about, and who was thought to be in great trouble and therefore hiding somewhere in the forest. Now he recounted his own version of what had happened. As he needed some capital to get started, he had borrowed money from friends and relatives. But he also owed money to a timber harvesting firm, and he had signed a contract with the firm to deliver timber. He was then unable to fulfil the contract. He was subject to sabotage – someone broke his machines and equipment. Dmitry described his plans to start a business together with a Swedish partner. They were going to bring Swedish harvesting machines across the border. They had already started to collaborate, but so far, the machines had been stuck in the Finnish customs. Dmitry described all their efforts to get the proper documents, and the lack of results despite driving back and forth to the Finnish border from the Russian side. With Swedish equipment he would be able to harvest faster than anybody else, and thus be able to fulfil his contract. This would also enable him to handle his debts. When we met Dmitry two years later, in 2005, he said he was fine. He and his Swedish partner had driven long distances

to get the proper documents. They had learnt that they needed to declare everything carefully on the Swedish side before crossing the border. But Dmitry had to violate some rules. They could not handle the problems with documents for the first piece of equipment. One night they managed to snatch the machine from the customs themselves. Dmitry was back on his feet again in 2005, thanks to Swedish technology, its successful – albeit illegal – transfer across the border, and his refusal to give up. But he still had a problem – he needed to get competent workers to trust him again. He had not been able to pay salaries earlier. This was a small place, and now he had to regain trust to proceed (interview, forest entrepreneur, 2003, 2005).

We did not meet Dmitry the following year, 2006, but heard that he had three businesses on the go. He had promised too much, and his former partners had simply taken over his machines. His debts were substantial, and he had not been able to get to grips with them yet. They had left him alone, but the administration was still reminding him of the loans he had taken. The former mayor who had been very angry and disappointed with him in 2003 was engaged in helping him to get out of trouble, although he was not going to give him any new loans.

According to his former partner, Anatolii (interview, 2008), Dmitry had run into serious problems and was still alive only because his father-in-law, the director of one of the largest forestry firms, had saved him. In 2008 we just heard that Dmitry was employed by his father-in-law, but we were not able to get in touch with him. Four years later, in 2012, Dmitry (interview) described how all his troubles eventually had led to bankruptcy, and he was forbidden to start any new business for three years. During these years he was working in the forests of Siberia for some time in order to earn some money quickly. Then he built a house for his family. In 2012, when the three years had passed, he was in the process of starting a firm again. Together with four other men they were renting a house where they all could set up their individual businesses (interview, forest entrepreneur, 2012).

Vladimir (interview, 2008), who lives in a village near a closed city, had started his business attempts in 1986, trying to take up the opportunities that had been created with *perestroika*. Since then he has run a few different activities: repairing cars, making gravestones, producing furniture, transport. In 2008, his main business concerned long-distance transportation. He had two employees. The particular day we met, they celebrated ‘the driver’s day’. He told about how the drivers themselves have to bring petrol with them. He described the fish *sovkhazes* at the White Sea. There is so much fish that they did not know what to do with it, and they worked just one hour per day, between ten and eleven o’clock. The rest of the day they were free from work. Although salaries were good, the cost of living and prices were high. A fish factory burned down, and they were plundered.

Vladimir has registered his business. Although there were a few difficulties, it was bearable as long as you followed the rules, he said. He used to have goats, which he would have liked to keep, but to keep them he needed land, and for processing you need facilities etc., it was simply too complicated. According to him it is easy for anyone who really wants to work to set up a business: you just need a genuine desire and the right contacts.

Vladimir's wife, Larissa, was the director of a firm trading vegetables, she was the boss of around twenty employees in Sannikova. They started by selling eggs and vegetables, then also fruit. This firm had been developed gradually and had a good reputation. Formerly she had worked at a bigger firm that had survived from the Soviet period. The new owner wanted to take over, but activities stopped for four months. Some 500 or 600 people lost their job, although 300 were still working there, pensioners included. It received subsidies from the state. The working day is rather long, from 7.30 a.m. to 9 p.m.

Another entrepreneur bought a fish farm in Plota, which had been established in the Soviet era in 1969. The owner (interview, 2002) chronicled how a decision was made in Moscow in 1990 to sell the state fish farm to a private owner. In 1995 this decision was cancelled and the fish farm returned to the Plota district administration. The reason was that the Minister had had no right to permit the sale of a state company without a resolution from the Ownership Committee. After that it was bought by the owner. He said he had been a professional fisherman and had been sailing for 12½ years, his latest position having been as the chief engineer in a company in the fishing industry. He was not willing to talk about funding but told a Russian anecdote instead: 'When people asked where Abraham gets money from, he says "from the bedside table". How does it get there? "Sarah puts it there." How does Sarah get money? "I give it to her,"' And before any further questions were possible he asked us to taste some herring.

They had fish nets around the long dock by a middle-sized lake, so mainly they produced fish. On the shore was the fish factory, which also made conserves from imported fish, Baltic herring, Atlantic sprat and others. The production started after 2001. They did not own the factory building which belonged to the district administration and was in very bad shape. After repairing and painting the walls they started production but only had a provisional permission to do so. Twenty local workers were employed in this company. They were working within the social sphere, marketing fish to old peoples' homes in the region. The company also supplied premises for the local scouts, his wife organising this activity. The company provided the scouts with bicycles, and this group of 16 boys was the second best of the region in ecology and the fourth best in rock-climbing.

Twelve years later we visited the farm again, but the previous director had moved to St Petersburg where he owns a hotel chain. The fish farm is more like a hobby for him, he used to say. He had transferred ownership to his son. The foreman showed us some big carp they were cultivating. They were also producing carp roe for the hotel trade (interview, foreman in the fish farm, 2015).

Ivan (interview, mono-town,⁴ 2011) was an entrepreneur in Globokoe, with five employees engaged in transport. He was one of the regular contributors on Aleftina's list, whom she called when she needed sponsors. They had known each other since the Soviet period when they were both party secretaries in important local state firms. For Ivan it is important to support Aleftina. He explained some of Globokoe's history and the big cutbacks that took place in the 1990s. Before that time there had been some 20 factories. Ivan was concerned about the profile of his town, that of metallurgy, and the competence they have within this field.

Ivan himself was working for such a factory, and both of his parents had also worked there. He had been out of work for a month as the factory where he was working stopped production.

When Ivan started his business in 1991, the most important difficulty was that nobody had either experience or capital. At that time there was a serious shortage of food, so the general business idea was to go to Moscow and buy groceries, then come back and sell them in Globokoe. It was rather easy to earn some money rather quickly. It was only after some time that he had any premises at all for his business. Finally he got a building lot and started to build by himself, with his own hands, and in 2000 the small building was completed. There are two rooms, a small office and a storage room.

According to Ivan it would have been much harder if he had started in 2011, when the interview took place. The global economic crisis had just hit Globokoe, in 2010–11, which meant unfavourable development. People's incomes stopped rising and firms in fact lowered wages. It was really difficult as the different parts of the town were run by monopolies supported by the authorities, meaning that competition was restricted. There was a network run from St Petersburg – in fact according to Ivan it is the Mafia that dictates the terms and conditions. There is no real business centre working in the town, even though formally there is one. So, in practice each entrepreneur tries to manage on their own, one way or another. Some of them get together around a charity fund in the town, but according to him it is only the older ones who become engaged. The contributions of firms to charity do not depend on their size. In fact, according to Ivan, it is mainly the smaller firms that contribute. He thinks this is about the moral 'one should try to help, and people need it'. Soon there would be a gathering for a school for disabled children, then Victory Day, and a celebration for veterans; one can also provide chocolate, sweets, cakes, painting colours, or toilet paper for the children's home. 'The younger who weren't *pioneers* or *komsomols*⁵ are individualists.'

There are a few reasons why Ivan thinks it has become more difficult to start companies than five or ten years ago. There is more competition, it has become harder to be competitive and it is harder to earn money. Profits have generally become much lower. Low incomes present the most important obstacle, according to Ivan. Another reason is that it has become much harder to get permissions. Bureaucratic procedures mean that you might have to wait a long time for their decisions. Then there are tax controls. More documents! Sanitary demands have become stricter, as well as rules on work environment and fire protection.

Nevertheless, he believed that the state really regarded entrepreneurship as important. President Medvedev emphasised how important this was in the process of modernisation. 'He has indeed settled that the middle class should be established by means of entrepreneurship', expounded Ivan. 'And the fruits of entrepreneurship are of course visible, we have seen the growth of shops, car washes, car servicing, buildings that are being constructed etc.' But he was worried about how many start without understanding how difficult it is. They do not think about the fact that they have to pay taxes, make payments to the pension

fund, and that they actually have to make a profit. They start without even making a business plan. He believed it was still easier to start with a trade, which he himself had done.

Ivan compared the situation in his town with that of Sokolovo, a nearby closed town. They have federal allocation⁶ and live as they did in the Soviet period. Pensions are higher, the people still have a Soviet mentality and there is no social differentiation. It reminds him of how it was in his own place of work in the Soviet era. They have good social protection, medicine, education. Ivan was educated despite the fact that his father died early. 'But they live there against their own will. They come here for shopping. It is not possible to start any business in Sokolovo.'

Sergei (interview, Lopatino district, 2013) talked about how difficult everything was in the 1990s. When the *sovkhos* closed, Sergei lost his job. He started a business together with three others who had also lost their jobs. They rented equipment from the *sovkhos*. Two really poor *sovkhoses* remained for a while, one in his village, the other in the neighbouring village. Nobody owned the land, but now when Sergei was leasing it he had been able to install electricity and take a loan. Since 2010 he has been running this business alone. He was producing paving-stones, but as competition was so high, he was earning some extra money from forestry. 'It is easier to make money by logging,' he explained. Sergei has taken a few small loans, but by and large he has created what he has with his own hands. He owned the building, but not the land. He actually bought the land, but someone cheated him. It appeared that those who sold it to him did not have the proper documents. He has gone to court, but he does not believe he could win. In a way, it would not even be worth it as he would have to pay tax for the land around the building, while the land was actually not really needed. Sergei hired people when needed but mostly worked alone.

Sergei estimated that it was possible to start a new business, especially with a trade, even if it had become harder due to the large food chains that were in place now. His relationship with the administration was good – this is contrary to the position of three other entrepreneurs who were heavily critical of the same administration. Sergei received some subsidies to set up his business. The business centre helped him with the documents, and he was also able to benefit from some judicial advice provided for free. He also provided an example of two brothers he knows, working as farmers, who were able to set up a building business. However, he mentioned the bribes he had to pay to the fire authorities and the pension fees that had doubled. 'You really need patience to start a business, but people don't have that.'

Mikhail was developing his business to begin a timber company in the early 1990s in his home village. He had received large loans, but if he could fulfil 80 per cent of his obligations he did not need to pay these back. Other businessmen in Moscow, on the other hand, claimed shares from Mikhail's business in order to give him loans, which meant that he was also in their hands. Mikhail had to sell shares to Alexei to pay back some of his debts – there seemed to be a struggle over resources between these two local businessmen. Alexei was formerly a

guard for Mikhail, but was gradually getting access to some of the properties. Dmitry, who had his own troubles, told us that Mikhail's workers were working like slaves. Being in difficulties, Mikhail had lowered wages and closed the timber processing plant. We went to his plant and saw this was true, there was no longer any activity. According to Dmitry, some high officials from Moscow had become partners in Mikhail's business. He had tried for a while to enter the political scene, but was told to stay out of politics by his business partners in Moscow. Dmitry recounted many cases of fraud in the community. For example, a sawmill had burned down. We heard from Andrei, the head of the fire station, that there were, indeed, many fires and that they often seem to be connected with insurance fraud.

A couple of years later, it appeared that Alexei and Mikhail made a deal to share business in a new way. Mikhail has taken over the forestry-related businesses, while Alexei controls agriculture. There is a view that Mikhail gets all relevant information before everyone else.

A local taxi driver (interview, small town, 2013) has a lot to say about how things are dealt with in the community. He himself had lost his job twice because of closures. When he worked with road construction, the firm was bought by an Armenian, who fired everybody and brought in his own Armenian team instead to work for a lower salary. Then he worked for a firm in the neighbouring community, but this firm went bankrupt, so he lost his job again.

There are also some who are satisfied with their businesses: a hairdresser (interview, five women, 2013) is working with four others near the central square of a small town and are happy with the location of the workspace which is rented from 'a friend'. One of them is a single mother and, according to her, the income covers her family's needs, so she does not need to look for an extra job. It is also easy to keep the business: licences, book-keeping or taxation are no major problems. It arises that they have different, simpler terms for their business than other entrepreneurs.

Most of the interviewees emphasised how extremely difficult it was to start on your own. The overall high level of uncertainty involved in the venture demands strong solidarity between partners, which encourages business development based on personal family ties rather than on impersonal market relations. Interviews also reveal, however, that some have been able to start 'from scratch' and develop their businesses little by little, using timber or trade as capital to launch any business. 'You have to be brave to get started' and enter one branch after another 'to ensure a more stable position' and 'not to put everything in one basket.' As Valeri, one of the successful interviewees (2006) expressed: 'Because the risk of failure is so big, in order to succeed you have to start at least ten firms.'⁷ Tourism, textiles, handicrafts, cars and food are examples of branches in which it has been possible to run small-scale as well as large-scale businesses. In any case, starting a legally registered private firm is a new undertaking that was not possible in the Soviet Union. This opens the way for non-hierarchical decision-making, a process that indicates that norms have somewhat changed, facilitating further changes in the long run as well.

How to run a company

Running a company in Russia is full of surprises. At the end of the 1990s when the Russian rouble lost its value, rapid inflation and currency devaluation created very difficult economic circumstances. Margarita (interview, 2013) and her husband had already built and paid the costs for a minimarket – a small grocery shop. However, at that time they had a lot of savings, as Margarita well remembers:

We paid our bills and then the inflation started. I still had money, I do remember our money, we had two million.⁸ And when all this bother started, we tried to find a commodity to buy, and it became more and more expensive each day. We sold at higher and higher prices. We were forced to buy 20 tons of macaroni – one had to use money in some way – we drove to a macaroni factory in Sheksna. What a mess! I had no idea what sort of macaroni it was ... I had never seen anything like that before. I bought 20 tons of macaroni. What the quality was didn't matter ...

We did not feel lost like many who were brought to ruin ... We kept on selling it all the year around, this pasta. Prices increased and we hung on. We had food for a number of dogs and we had piglets – the pasta is enough for all. Well, 20 tons of pasta, I had a whole garage full of pasta, and I had no idea when it would be used up – that's how it was. It was also significant that we had this small shop, we kept it open. And we took care of our own farming plot: 45 piglets – Well, they grew up while we were working with fruit in our shop and in the marketplace, and the season was advancing, so what could we do with piglets? They were in our village, which was already abandoned. Piglets were running in the forest, they grew up by themselves, they were wild. There were different ones both big and small. We only gave them something to eat and when we came they have already collected some food by themselves ... So it was. Well, so it was (with a sigh). What can one do then, time is passing, and we are working.

Another small shop was opened eight kilometres from here. And then it started ... we bought a house here, built a garage in the garden and opened a shop, and soon enlarged it with 80 square metres more space, and it is all here now. Gas installation workers stayed here. Five years ago (2009) they worked for us ... My eldest daughter, Alena, got married ten years ago and lives in the city. I thought what to do and said to her: 'I shall open a cafe!' She says: 'Mum, are you crazy? Do you know at all what a cafe is?' Well, I said: 'cafe and cafe ... I myself have not been in either a cafe or a restaurant. But I think it doesn't matter. I know it from television. What is so special in a cafe?' And soon I told her: 'Alena, I have opened a cafe.' She said, 'Mum, you are not wise. How can you open a cafe?' And now I am on that road. And youngsters loved us. We didn't even have stairs, there was a loading pallet instead. We worked in the cafe and then we made food for gas installation workers. They paid extremely well ... They worked by the exit road from the

town, so we went there to offer them food. They gave us money and I came to the conclusion that we needed an extra building. When you have money, it is necessary to invest it somewhere. We built a basis for the cafe project. But then a woman asked me why am I building. And I reply that 'we are building a cafe. Why do you ask?' ... She worked as an accountant in a small hotel by the exit road from town. I asked, how is it going with the hotel? She said 'You know, there are no places, it is always fully booked.' Well, I thought to myself: 'There are no places.' So I got the idea that we will build another hotel. And that's it. We built a hotel. That's how it was.

And Margarita described her hotel in more detail. She had a different concept: the hotel is more expensive than the first hotel in the town. Her hotel is not often full, but there are customers every day. They are ordinary people, working-class people, says Margarita, but not *kamazers* (lorry drivers).

Her business managed to survive the economic turbulence, which gave a boost to enlarge the business and to try out new branches. Why did Margarita enlarge her business? It was not because of the protestant ethic, which Max Weber analysed in his theory of reasons for emerging European capitalism two hundred years earlier. The reasons for her steps were the wish for a better life and the rough conditions in Russia: one had to invest available money rapidly before its value disappeared, be it because of inflation or devaluation or something else. Furthermore, it was crucial for her to act in the right way. This hotel could not count on foreigners or travelling tourists to be an important customer segment. Before us only a couple of foreigners had been seen in this town of over 14,000 inhabitants. Last year a Ukrainian had been seen in the marketplace and an Egyptian together with an Italian visited the hotel. The customers were Russians, travelling mostly for work or for family celebrations. And the hotel restaurant is a fine place for a marriage feast – one was arranged during our visit. Hotel room prices that were higher than the average, along with the restaurant meals kept problematic customers outside.

Zhanna (interview, 2012) has developed her textile enterprise bit by bit in the central village of the community since the early 1990s. She collaborated with her husband and did not invest in new technically advanced machines until she had earned enough capital of her own. Her husband invested money that he earned from logging timber in her textile firm, while she helped him with bookkeeping. Only after twelve years did she start to make some money. They both stated that they did not want any business partners from outside the family. She also mentioned that her husband stayed at home with the new born baby while she returned to run her enterprise a couple of days after giving birth.

Zhanna ran sewing activities in connection with her shop in the village. She had employed a couple of young women with small children; they were able to work from home, although this meant they could not utilise the modern equipment. She was sowing to order only, due to the limited buying capacity in the local sphere. Orders included ladies clothes, suits, work clothes for companies and tablecloths for restaurants. She said the expansion of the business was limited

by a lack of skilled staff in the local community. Her solution was to educate her staff herself. In 2008, she had opened a new shop in a town 400 km away. The number of employees had increased to 18. She had been considering to move to the town as she felt it was not possible to expand activity in the local community where most people were poor apart from those who already were her customers. But she had decided to keep on going in the village, where the rents were low and where she had her soul, while also opening sewing to order in the town. Now Zhanna has expanded her activities to include curtains and interior design. She had learned by attending special courses in the town.

The enterprise run by Igor and his brother (interviews, Igor, 2002; future director of holiday village, 2003) was in full speed at the beginning of the 2000s, ten years after its establishment. The number of workers increased in ten years from eight to 200, and the number of companies grew from one to four. One of the companies was a joint venture with a Finnish entrepreneur, and it involved export and construction work. Another company worked in logging and operated a sawmill. The third company was a pig farm, providing food for workers and perhaps also some status for the company as a wealthy enterprise. At the time of its establishment, food was still scarce in Russia, and of course it was challenging to feed 200 workers. The plan was, furthermore, to produce foodstuff for the fourth company, a tourist village with a restaurant. This holiday village was half built by a lake, not far from the district centre. The 30 buildings were made of wood, which the company had harvested from rented forests. A space was reserved to build a business centre with a sauna and restaurant for 70 people, boat piers and a tennis court, a conference hall for business meetings, a bar, a billiards room and other entertainment. As explained in 2003 by the future director, the plan was to open the place two years later.

The venturesome director was full of ideas. He also wanted to support local activities, being the main sponsor of the annual village festival, having a sport association in the company, and having built a church and a chapel. He described his relationship with the authorities to be well functioning, and as proof of this he was to be the first in the region to receive a state loan. Nevertheless there were some problems and their luck seemed to turn during the following years. During the next visit two years later we heard that the holiday village had not been opened, in spite of the significant number of buildings that were ready. In the summer, we visited the local village festival, which their company had supported with open hands. The governor of the region was also coming to visit the festival, so the director drove his car to pick up the governor, naturally wishing to talk about challenges and wishes vis-à-vis the authorities. He turned up, however, in another car – not a good sign for the company. And later on, a rumour suggested that the brothers had sold this part of their business.

They must have had, self-evidently, some kind of oral promise about how things would work, but sometimes political winds can change and things do not pan out. Whatever the reason for this episode was, ten years later we met the entrepreneur briefly. He was still in business in spite of his troubles in the tourism branch.⁹

In 2011, we heard that it was Mikhail – now called ‘the tsar’ and considered the most powerful person in the neighbourhood – who sets the rules for his own village and also for some other villages nearby. On the other hand, he did not care about other places further away from his home village. Mikhail had developed forest processing again, opening a new factory some distance from his village. The employees received both ‘white’ and ‘black’ salaries. Mikhail organised transport for his employees to and from the workplace, and they got help with firewood. But it was strictly dependent on good work performance. If somebody drank, he was fired directly. Mikhail used a whistle, and his employees had to be precisely on time and could not leave early. If someone misbehaved, he was dismissed. According to him, it is necessary to keep up reasonable work discipline (interview, vice-head of Startsevo municipality, 2012).

In 2012 there were many vacancies at Mikhail’s factory. He had taken over a huge forestry complex from a state company. ‘Everything is computerised.’ They needed specialists and wages were good. Each autumn Marina had such specialists as customers, staying a couple of nights at her tourist company. The ‘tsar’ had his own programme for building houses. Those employed at his factory could use the equipment for free, and they could also get help from Mikhail’s forest loggers. He supported veterans, the celebration of Victory Day and funerals. He gave money for each new-born child of families if they were registered and permanent residents in the *poselenie* (municipality). He also gave extra money for a second child and even more for a third. If both parents worked in his factory, they received twice as much child benefits. He was doing this to attract young people to live in his village. Mikhail had built pavements, fences and the water supply system. He was promoting the improved quality of life in his native village, financing various local projects. On the one hand he provided part of the financing for a church and a new school; on the other hand he also financed such building projects as a sports hall, the renovation of the house of culture and the construction of a fountain.

In 2012, Mikhail had about one thousand employees, and shift work was used. He owned the buses that were used to transport his workers. In addition to free firewood, workers got free X-rays. He financed the provision of medical services by a nurse and supplied massage equipment and the like. His generosity was explained by him being a patriot. We were told that the school’s football team visited a tournament in the communal centre and they were wondering afterwards how trashy and dirty it was over there compared with their own clean village.

In 2014, we were told that Alexei had bought a shopping centre, and that he was building a new shopping centre in a nearby town in Pinskii district as well as a food market. In rural locations there are mostly small-scale businesses, but in Klotskii district there is even a third businessman, Yuri, who produces furniture and owns a couple of restaurants, and tourism facilities with 160 beds (interview, vice-head of Startsevo municipality, 2012–14).

The running of food shops in the community centre continued to be important sources of money for the development of the tourism business. But Marina

(interview, 2006) believed that new rules concerning the selling of alcohol in 2006 would cause problems for smaller food shops and hence lower the possibility of getting financial capital from trade that could be used to develop business. Marina expressed the opinion that while it has been possible to earn a lot of money in the food trading business, it has gradually become harder, due to new tax rules and various restrictions. Nevertheless, it had been quite easy to get permits for the running of shops, cafes, restaurants, and recreation and sports facilities, while it had not yet been possible to get a licence for running a hotel.

In 2008, Marina expressed her fear of becoming absorbed by one of the larger local entrepreneurs. She said that Alexei was trying to convince her husband to become his partner, but Marina strongly refused. Nevertheless, she was proud to be an example of how to ‘start with two empty hands’ and develop your businesses little by little, using the income from timber and trade to finance the development of tourism activities.

Lunch was waiting for us at the cafe. This time (2011) we were offered the nearest cottage, with two bedrooms, a living room, a kitchen unit, toilet, and a shower with sauna. It was the first time we had had a sauna in our own cottage. There were a couple of new cottages, and a fine red fence separating the cottage area from the ground next to it. Marina had given birth to her fourth child. Maxim was a strong little chap at eleven months. There were quite a few employees, just like in the old days.

In 2012, eight houses were available for tourists to rent, with 35 beds altogether. They were enlarging the cafe into a restaurant, which meant 40 places in addition to the earlier 30. This was needed for the ski competitions they organised for children. One novelty was the ice-skating rink. They provided both skates and skis for rent. They continued to make investments step by step.

Now Marina was finally registered as the owner of the land property and thus of all the eight cottages. This was important to her – some of the uncertainty was gone and she now had the possibility of selling one of them if she ever wanted to. They had a buffer now. Each cottage was registered separately. Marina felt that things were going in the right direction and expressed satisfaction with having positioned herself a little in between – the concept being that it should be simple but comfortable. ‘This doesn’t make sense for people who want to strike it rich.’ But getting to the tourist village through the forest was still difficult; the administration did not want to pay for the roadworks out of the district budget. Nor was anyone registered as a private owner of the road, so nothing was happening.

They were building a new living house for themselves. Their daughter’s family would get their present house, which had just been built when we first visited in 2003. The problem with the road was still unsolved, despite promises from the community. Some important documents were still missing. Marina described a federal programme which would provide 200 million roubles for a four kilometre-long ski roller track. It would be owned by the community or the state, she was not sure which. This would attract even more professional skiers to the area. They already had a shorter ski roller track at their own tourist resort.

In 2014 Marina remarked that her business was big enough. They had cross-country skiing teams from Ukraine and Belarus, training for the Olympic Games, and upcoming national competitions would take place at their resort. A great deal had happened in the two years since our last visit. A new building had appeared with a little shop for selling souvenirs. But there were still a few things that were not working well. We did not get any soap, the lights did not function in all the rooms and the sauna was too hot. As Marina stated:

It was about checking that everything is all right, and to have somebody to do something about shortcomings. The employees wait for orders in order to do certain things, they do not take the initiative by themselves. (Interview, female entrepreneur, 2014)¹⁰

Marina's daughter had taken over the main responsibility for running the cottages. The two saunas needed to be renovated and a new larger sauna was under construction. The whole area looked prettier, with many flowers and plants, a playground and places to sit outside. There were ten employees, two men and eight women. The new house was ready to live in and the daughter with her husband had moved into the former house. Marina had some new ideas about developing a health-related business, for example providing special massages to prevent senility. She has been educated for this. But for her, too, the size of the business was large enough, and according to her they had to focus on renovations to keep everything in good shape. The road remained a problem, but at least it was included in the community plan (interviews, 2006–14).

Organising an enterprise

Family and other workers

It was very difficult for Margarita (interview, 2013) to find workers for the hotel and other business ventures. At that time she had a hotel, stores, fruit and bread delivery, and three drivers. She explained how to get rid of problematic customers at the hotel:

Do you understand, for half a year I tried personally ... and I had guards here, then I sacked them because they got their noses smacked ... Do you know what I did the next half a year? I threw people out ... I took a tight hold of his neck skin just like that and took him to the door. No one said a word to me. And so we succeeded to get along. On the whole, it was terrible. It was an extreme burden.

There are so many who have come to work and then left us during my 20 years of work ... frankly said, I don't know how many there are. Quite a few. I claim that one who comes to work must do something good to benefit me. Isn't it so? So that we have it better. And not just to fill her or his duty ... I took Russian cooks from the region, they would bind pieces of meat around

their thighs with tape ... I don't understand, why tape? I have never taken anything during my whole life! Why tape? They drink at work. And how many of them ... that was a nightmare ... When we opened we had around 30 persons and every other woman was drinking. I was working in the market with two saleswomen. Well, they drank – and me, and my family, we don't drink at all, neither beer, nor cognac, nor champagne, nothing at all. Neither me nor my husband nor my brother-in-law, nothing at all, and my children don't even know that my husband did sometimes ... that is how it is.

Margarita placed herself in front of us and said: 'Well, simply, I am so tired, people are like that here. All right, not all, that's true. There are also normal people. So, we have sifted out quite a few during these two years. In order to not have only people with harmful habits.'

Margarita was not alone with her problem: several entrepreneurs repeated how difficult it was to find workers who stayed sober and were willing to work hard. Oleg's (interview, 2002) timber company established a sports club and he kept discipline to support a healthy way of life among the workers. The local head (interview, 2013) in an urban village who previously had been a police officer was not so worried about alcohol, but stated that they had zero-tolerance concerning drugs. If somebody was caught with drugs, he/she had to go to a sanatorium or, if not, the alternative was to immediately move out of the municipality. This was decided by all the men who gathered to decide what to do in order to allow the children to grow up and live healthily. We cannot protect ourselves from boozers, he said, while everything is available here. 'If someone has a beer, what can be done with him? But narcotics – they are taboo for everybody here. Everybody understands that, everybody knows this. It is very strict.'

In order to succeed, an entrepreneur needs one's family, people she can trust. Margarita's two daughters worked in the hotel, her husband and his brother helped in various operations. She needed a lot of workers, however, and recruited many of them from the urban village, where the local factory was cutting its activities and finally closed. The hotel offered work for several women from this factory and some young workers came from the children's home. As customers we remarked that they had a lot to learn in service behaviour – politeness, willingness to help, looking at and listening to a customer, placing tableware in order and so on. But on the other hand, they were sober, the hotel was clean and the food tasty, thanks to the Uzbek cook. We got most of what we wanted, we only had to learn to ask for help every time we needed something – and it is 'normal', as Russians used to say, it is how things often work in Russia.

Marina solves her own family's needs as a part of her business work. The development of the tourism business has meant a gradual expansion in the number of employees. It has at times been difficult, however, for her to find good quality staff, people who do not drink. According to her, there is work, but some people simply do not want to work: they do not want to do manual work and they are even too lazy to walk two kilometres to work from the village on the other side of the river where they live.

The community was still subsidising the ski school. Marina's mother was taking care of the household. They had quite a few employees. Marina was running the business while at the same time working as a ski trainer along with her husband, who was a full-time ski trainer. They earned some money from the running of shops and through the letting of property for rent. They saved some money on employees by using seasonal workers, and also because her daughter's husband was a trained military man, therefore they did not need a night guard. Marina's family benefited from cooking, cleaning, building repairs, vehicle maintenance, and even on some occasions childcare. One of the employees was an 'extra mother' to the youngest son – she was available around the clock. The daughter studied tourism at university and was taking care of the administration as part of her internship in her final year of university. She got a salary while working on her diploma.

Business strategies based on households

Zhanna met us at the train station in the morning, and we went to her shop. She had already moved to the city the year before. She rented a house together with her two sons while her husband still lived in their flat in the village. Now formally employed in her business, he also continued to run his own business, providing transport, mostly of timber, with some five people working for him on flexible terms. The couple were in the process of building a big three-storey house in the city. Zhanna had still kept her shop in the village, calling it 'the factory'. She had opened a shop in the city three years earlier which was the main source of money for her. The six first months had been a really difficult time, but she had succeeded in building up her own circle of customers. She had fewer employees than earlier, four in the city and five in the village. There was no potential for expanding in the village – those who could afford it were already her customers – while it was also difficult to find skilled employees, and she could not continue as she had before, educating the staff herself. Nobody in the village dared to take responsibility for orders. Of course it was easier for her to find skilled labour in the city (interview, 2012).

She emphasised how important it was to use any opportunity to develop in different directions. In the city she could widen her services. She found a special niche for knitted clothes and invested in a knitting machine. They were knitting socks, belts and vests. Zhanna had her own design. She also offered consultancy services, and in addition was making curtains and blinds for official buildings. The situation for her was rather stable. The following year her collaboration with entrepreneurs in the village would be expanded, as she was going to make T-shirts and provide winter skiing outfits for Marina, and she was also planning to develop further cooperation with Yuri. The next day she was meeting Mikhail to negotiate a deal to make working clothes for his new hunting firm he had just opened. Zhanna was even cooperating with those who were actually her competitors in the city, because they could buy fabric cheaper when ordering bigger amounts together.

Zhanna and her husband also expanded into new fields as they began their house building project. With a laugh, she called herself a 'self-made' architect, and they had a plan for their 15-year-old son to become an architect – they were already saving for his education.

Interviews support the impression of collaboration within households as a strategy for business development. Incomes from one business can be used, within a family, to finance the development of a second business activity, as in Zhanna's and Marina's families. Sometimes three generations within the same family help in the business, as in the examples below.

A family with a small farm started to process berries and mushrooms (interviews, female entrepreneur, 2003–12). The main agricultural product of the family was meat. The grandmother Tatiana did most of the cooking, including for the daughter's family, facilitating household work for the daughter, while also helping to take care of the children. The grandfather together with the daughter's husband undertook traditional male duties, such as driving and making furniture. Picking mushrooms and berries was shared by the entire extended family. In a few years, gradual expansion had allowed them to employ three young people from the local village. Tatiana was proud that her granddaughter, Larissa, managed to pass the entrance exams for the university, but she sincerely hoped that her granddaughter would come back after finishing her education so that she could help her mother. They did not want to involve any strangers in the firm although help was needed. It had taken Tatiana eleven years to get all the permits and they still lacked a permit for raisins: the rules were very strict. It was the present mayor, Ilia's father, who had forced her to rewrite the project four times before he finally signed it. The young present mayor, Ilia, has apologised for this. 'All the tears it took, I have cried so much' (interview, female entrepreneur, 2012).

Another 'family model' was adapted by a mother and a daughter who cooperated in a cheese business (interview, elderly woman, 2008). The retired mother kept cattle and produced milk, and her daughter processed it making cheese in her own kitchen in the city. The mother was responsible for the selling of cheese and other dairy products from her own farm. She had lost her husband at an early age and had been a single mother of three children. She had supported her family by means of various entrepreneurial activities and since retirement she had continued with her business working as a massage therapist as well. Her house had burnt down twice. When interviewed (2008), she was living in a big, newly built house as if in an extended family with homeless couples and former alcoholics. They performed different duties at her farm, for which they received free housing, food and some pocket money. Her good friend, who had also been a widow for many years, was involved in the cooking.

A foster family with ten children had moved from a city to a small village to get more space for the children (interview, foster mother, 2013). The husband had renovated and enlarged the building and was working as an entrepreneur, producing cement rings for wells and now starting a small sawmill. The wife took care of the children, the elderly children took part in gardening their plot and daily

chores like cooking, and an older boy assisted the husband in his business. The state supported them in many ways and also had given them a car as a prize for exemplary activity.

Family strategies usually involve running several different businesses at the same time and overstaffing to allow some workers to undertake household duties in addition to the business. Some of the smaller firms collaborate with each other. The skiing and tourism centre, for example, ordered caps, ski vests and pants from the textile firm, while the owner of the textile firm and her family got free meals at the cafeteria of the tourism firm (interview, Marina, 2008).¹¹

Interviews reveal how some have been able to ‘start with two empty hands’ and develop their businesses little by little, using timber or trade as capital for starting any business.¹² Others have tried to get started using borrowed money.¹³ Yet another approach has been to engage in the field of public services and obtain a salary from the state and then gradually move into the private field. In most cases, several of the above-mentioned strategies were combined within households, a fact that reflects low trust in the enforcement of rules and the difficulties of securing the necessary financial means.

Hierarchical organisations in male-dominated business sectors

Adhering to Douglass North’s analytical framework, it seems reasonable to assume that hierarchical decision-making has survived in male-dominated branches, which is reflected in the behaviour of entrepreneurs as well as in the organisations. Men have set up businesses in the branches prioritised in the Soviet era; these branches have retained hierarchical structures that do not promote entrepreneurial thinking (Sätre 2001, 2010). Vertical rather than horizontal integration in these branches means that it is difficult to set up new firms.¹⁴ Earlier research even supports the impression that it may have become more difficult to set up businesses in recent times than it was just after the privatisation reform in 1991–3 (Frye 2002; Radaev 2005; Ericson 2009). Because the markets are controlled by already profitable entrepreneurs, newcomers are likely to be forced into the existing hierarchical structures (Aidis *et al.* 2008). This is illustrated in our experience by one community where the most profitable entrepreneurs in 2016 were those who started in the early 1990s.¹⁵

As noted, several entrepreneurs in our interviews held the view that setting up a business may have become more difficult recently, compared to just after the privatisation reforms, when it was also possible to take over state firms or equipment from firms that were closing down. Interviews with owners or managers of firms in the textile, agriculture and dairy business described how it became more difficult for newcomers in general in the following years. As one of them put it:

In the early years of *perestroika*, those who were able and perhaps lucky enough to take chances at the right time seized whatever opportunities they

had, turning to the mayor and asking for the privatisation of the state enterprises of which they were in charge.

(Interview, leader of textile firm, 2003)

According to the vice-mayor in one of the communities, managers of state firms within the trade sector, for example, simply asked him to privatise them (interview, mayor, district centre, 2003; Sätre 2007).

Although male as well as female entrepreneurs expressed the fear that they would be 'swallowed up' by larger firms, the general view seemed to be that this was a greater danger for males than for females. Some of the men interviewed were aware of this 'danger' and said they tried to avoid the trap. One example was a forestry entrepreneur who said he preferred to earn less and sleep at night. 'If you grow a little bigger, somebody will come and tell you to leave' (interview, owner of a forestry company, 2006). According to him, it would be easier for the mafia to control a more profitable business, while for him it was easier to keep control if the business was smaller and had fewer employees. 'As long as the firm is small it is your own, but if you start to grow some person who works close to the government will come and buy you up.' Similar views were also articulated by entrepreneurs in the tourism industry (interview, owner of a tourist business, 2006). The authorities would rather deal with a few large firms than many small ones. The larger ones are better able to negotiate in the event of disagreements on the terms of trade, and they have some reserves in the event of failures, miscalculations, legal troubles or dishonest behaviour.

Interviewees told of officials who act differently at various levels, and as there are many hierarchies to go through, some obstacles will appear on at least one of the levels. The general feeling among small entrepreneurs seems to be that legislation changes frequently. Many also feel that the rules frequently contradict one another. This makes it impossible to comply with all of them and potentially leaves much power in the hands of the administrative official.

Interviewees mentioned signs of the situation developing in the direction in which only a few large entrepreneurs would dominate the scene and would be more or less governed by their own laws: 'The community was only interested in cooperating with large entrepreneurs who have divided power and wealth among themselves, including the right for the clearing of forests' (interview, forest entrepreneur, 2003). Confirming this view, one mayor stated that since it was easier to deal with just a few strong firms, he promoted a process in which larger firms took over the smaller ones.

The overall impression from the interviews is that performance varies more among male entrepreneurs than among females. A female former vice-mayor (interview, 2008) argued that there was heavy pressure on young male entrepreneurs to succeed which, when combined with little experience and unrealistic plans, can lead to big risks, impatience and an ambition to make money fast, which all contribute to their failure. The picture that emerges from the interviews is one of increasing discrepancies among men, in which a few manage to gradually build up fortunes but the vast majority fail to do so. Many interviewees spoke of harsh conditions, where the stronger companies buy up or otherwise defeat the weaker ones.

One example of this process introduced above was Dmitry (interviews, 2003 and 2005) who wanted to start a dairy company. In order to earn some capital to start with, he borrowed money from a timber harvesting company and signed a contract with this company to deliver timber. He was then unable to fulfil the contract, as he put it, 'due to too much snow and unskilled workers on his logging team'. The situation he ended up with, he remarked, was 'similar to serfdom', as the company took his machines while he himself had to work eleven hours per day. Valeri (interview, 2008) ended up as a night watchman for one of the larger entrepreneurs after he had failed to set up a tourism business. A third example is the two men (interview, 2006) who turned an empty building into a cafe, a sewing workshop and a room with bathing facilities, but then had to close their premises as the ownership changed in the larger firm which owned the building and the new owner cut off the heating and electricity. In another case a family member interviewed from time to time expressed the fear of her husband or son getting mixed up in some dangerous activity, that they would 'fall into the hands of criminals' or be 'subject to mafia methods', etc. 'They would be risking not only their money, but also their lives.'¹⁶ Mafia methods are taken for granted, and even the most successful businessmen are thought to be 'in the hands' of dominant forces in Moscow (interview, owner of a timber harvesting company, 2008).

Our findings are in line with earlier research (Aidis *et al.* 2008) which shows that it has become difficult in Russia for newcomers to develop their own businesses without interference from already existing firms. Business owners look for solutions that do not catch the attention or interest of larger firms, and newcomers try to enter branches which are outside the traditional hierarchical structures. This opens up an opportunity for independent development based on non-hierarchical decision-making. Difficulties in starting a private business and the high level of uncertainty demands a strong loyalty between business partners. Such a situation encourages business development based on personal family relations (McMylor *et al.* 2000). One result is the emergence of several small businesses within households. Timber logging, textiles, handicrafts, trade, food, tourism and not least cultural tourism are examples of branches, in which households have been able to run small-scale businesses.

Surviving norms of over-employment

One effect of the survival of behavioural norms is that the effectiveness of political reforms and changes in legal rules is highly uncertain (Adachi 2006). Accordingly, it is often argued that the survival of the Soviet system's norms is unlikely to promote business development. In North's terms, surviving habits of obedience and 'playing it safe behaviour' do not promote entrepreneurial thinking (Desai 2006). A number of risks, uncertainty, bureaucratic obstacles and large firms already in place are some of the reasons that have been mentioned in the literature. Others focus on the surviving norms of paternalism and the symbiosis between employers and employees as well as on social security (future pension) as explanatory factors (Granberg 2007). Some people simply prefer to work for a

low wage for the state, a choice which gives them enough time to tend a plot to compensate for the low income¹⁷ (Kalugina 2005; Wegren *et al.* 2003). It could even be argued that the tolerance of workers in itself is a norm that has survived (Soutworth 2006). In manufacturing, for example, many workers had to face a cut in their wages rather than a reduction of staff as a consequence of the economic crisis in 2008–9 (Kuznetsov *et al.* 2011).¹⁸ Thus the habit of over-employment seems to have survived as well (Cuddy and Qian 2007). This is clearly reflected in our data; in many workplaces there seem to be quite a few employees, just like in the old days, not only in shops and restaurants, but also in production firms as well as in the processing of timber.

Among the interviewees, the majority of businesswomen either ran the household themselves or at least were responsible for organising it. There are also examples of how firms have used the possibility of hiring cheap labour to take care of private duties in the owners' households as well. Such findings are also indications of an emerging new division of labour between genders, in which those who are able to develop private businesses use hired help to ease their own double burden, an observation which is supported by earlier research by Salmenniemi and others (2011).

Authorities and enterprises

Large or small

Basing the analysis on the institutional approach, it seems reasonable to assume that managers of large firms are more powerful than those of small ones, since the former are in a position to bargain with local community officials and have more power to disobey rules and legislation or simply write their own 'laws' (Frye 2002; Braginsky and Myerson 2007; Duvanova 2011). Both data and statistics further support the impression that authorities would rather deal with a few larger firms than a larger number of small ones (Oganian 2002; Wells 2003; Smallbone and Welter 2009). Some of our interviews confirm this view, local authorities being described as 'being in the hands of local male oligarchs'.

There are surveys showing that owners of small firms, who gained little or nothing when state-owned assets were transferred into private hands, do not trust the legal system. Larger firms, which are more profitable than smaller ones, dare to rely on the legal system and the market and are more likely to do business based on market relations, while smaller ones prefer to stick to personal relations. Quite possibly there are differences in the enforcement of legal rules that benefit large organisations, as proposed by Polishchuk and Savateev (2004) and Hitt *et al.* (2004). In a survey cited by Radaev (2001), for example, due to difficulties with registration and licensing, small entrepreneurs rank bureaucracy as the most important problem they face. Because of limited experience of or lack of interest in self-managed organisations, the institutional framework is not likely to be adapted to their needs. One implication is that they are often left non-registered, further hampering their development (see also Kim 2002; Oganian 2002; Sätre 2010).

Enterprise and bureaucracy

To start a business one needs, in principle, registration and licences. This was a complicated process for Marina, whose family had already built a house, the main building and a group of cottages to rent for visitors. She looked for secure circumstances to run her growing business. For five years she tried to get a licence for her tourism business without success, and was one of those who ran her business without being registered – and the community leaders knew it. In her case, this was due to problems with getting land registered. Marina felt unsafe, since they had built houses without being registered as their legal owners. Finally, at the end of 2006, her firm for ‘rental cottages’ was registered. However, the land property on which her cottages were built, was not yet in her name. It took several years before this process was also concluded.

Tatiana (interview, 2003) is a retired director of a kindergarten and a former local politician who lives in a village of a thousand inhabitants, 100 kilometres from the district centre. After having lost the re-election, she came up with the idea to start a small business activity processing berries and mushrooms, which could easily be collected from the forests around their village. During a visit to Sweden in 2001 she had found a simple but efficient way to dry mushrooms and a tool to make juice out of berries. Nothing more would be needed to conserve these products and she would be able to market them in towns. However, Russian legislation is complicated. She started to experiment with home-made processing equipment and also started efforts to make the business legal. It took time, and only five years later did she have the necessary licences. At that point Tatiana and her husband had three children and three grandchildren. One of the daughters was running a farm and now the natural solution was to position the processing business in the context of the farm.

In order to get the licences required in this case, six different authorities were involved, including the health authorities, the fire authorities, the energy authorities and so on. To pass all of them one had to pay the authorities formal payments as well as additional compensation. After payments had been made to five of the authorities and licences collected from them, the sixth did not accept their enterprise. She was fined for using an electrician who did not have the required licence. For getting hold of an officially registered electrician she needed more money than she had so she borrowed it from her son-in-law.

Tatiana described the behaviour of authorities as the ‘Soviet mentality’: community officials had the same mentality as under the Soviet regime, as they restrained people who have their own ideas. The possibility to set up a business depended very much on how administrators happened to deal with you. As an entrepreneur starting up she was simply unaware of all the permits she needed. Nor did she know in advance how much she had to pay for each permit. These aspects were somewhat understandable; however, what came as a complete surprise was how complicated the control procedures were for product quality. With regard to the mushrooms, she was ordered to give the authorities in control three kilos of dried mushrooms and transport these products to the Centre for

Standardisation and Certification, three hundred kilometres one way. This procedure was required for each product. ‘As long as you are one of the “pioneers” in your field, there appear to be obstacles of which the person who is in the process of starting a business is simply unaware.’

Tatiana and her husband passed through the difficulties, coping with the bureaucracy. They were covering the extra costs with the help of their small pensions, being able to sell meat from their own cattle and having a little shop, where she sold products from the still unregistered business – and, naturally, the community leaders knew it. The firm was finally registered in 2007 in her daughter’s name.

Even with these difficulties, these two examples are the lucky ones. They come from the same district, where private business has done relatively well. In a small town in another region in 2014 we met Roman, an entrepreneur working in the building and media industries, whose business prospects seemed to be fizzling out. His company had built a three-storey building in a central part of the town, and he owned the building with his partner, renting space for a restaurant and for a couple of local entrepreneurs. However, he did not own the land property and had submitted an offer to buy it. His offer had been in process for several years and shortly before our interview the decision had come: the offer was rejected. He was unsure whether he would be allowed to continue his business in the future and he planned to move his share to the partner and get rid of the building business altogether. He summed up that he would not be getting new projects from the authorities. There was someone who was saying no to his offers. This may have been a consequence of his critical opinions against the local authorities, which he had been expressing in his own local journal.

Nikolai (interview, 2013) kept a stock of spare parts for cars in a small town and was the chairman in a local business club. He had been running his business since 1997 and had tried to buy the site for his building. But as the community did not want to sell the site, for the time being he had been hiring it. He thought that the community only wanted to sell it for as high a price as possible. The price had already doubled from the beginning! He felt insecure because he was running the business on a site owned by the community.

Payments for pension funds had increased that year and Nikolai and two other entrepreneurs we interviewed at the same time were upset – one of them had decided to close his enterprise. ‘It was much easier to start ten years ago,’ Nikolai claimed. Now ‘it takes two years just to organise the documents.’ But the local mayor could also make things easier for small businesses. Nikolai was very critical towards him, and felt he had been dealt with rather harshly by the local administration. His explanation for the lack of interest by the community in small businesses was that small companies pay taxes to the region and the district could not benefit from them. Nikolai was not giving up though. His ‘style was to fight hard’, and he was fighting against the administration for the rights of entrepreneurs. He describes how the fire authority used to turn up to make controls, ‘they always find something to fine you for’. They do not even sign any papers, they just want the money. They do not care about the rules, which say they have to

give prior notice when they come. Nikolai has called and written letters to the *prokuratyra*,¹⁹ but the *prokuratyra* has not taken the entrepreneurs' side. Entrepreneurs do not dare to protest, so they have to fight together (interview, Nikolai, two other men and one woman in a business club in Lopatino, 2013).

These stories show how some entrepreneurs are strongly dependent on authorities, while others are less so. When you work in the construction business, the orders made by administration are extremely important, as well as the right to get land property. When working in tourism, shops or car services, the distance to the authorities is wider. The main funding comes from customers, who are private persons, even if licences and land property also have a role. Margarita, the hotel owner in Lopatino, was also in this latter position. She started as a street vendor and progressed to setting up a shop, a cafe and lastly a hotel. The hotel brought her an additional problem: the town had, apparently, lost the map of the underground canalisation of fresh water, waste water, electricity and so on. As a consequence, it was difficult for anyone in this town to establish any industry, because one might break the electric cables when constructing buildings, and waste water could only be channelled to the local small river – inconvenient and dangerous for the environment. According to Margarita, there was no industry but only trade in her town, and the disappearance of this particular underground map was causing a lot of trouble for businesses. A 90-year-old cast iron pipe for fresh water had had a leakage and while searching for it, a high-voltage cable had been broken:

It is not possible to open any company or production, because we don't have a centralised system of canalisation ... once I wanted to open a sausage department, to rent a dining room. They blocked all the tracks from me ... last year they built some canalisation there, but we are not connected to it, they have no idea where to dig here, do you understand ... there is no drinking water at all, we bring all in here.

The disappearance of the map of the water and sewerage system is a mystery. There are rumours and everyone has differing information on the matter. One interpretation is that these kind of documents were sometimes moved from one level of administration to another during the transition from Soviet to post-Soviet rule. Therefore the documents might be in the regional administration but if so, then, for what reason had they not been moved back to the district administration? Did someone want to be paid for it and the district was not willing to pay? Have these papers really been lost? However, a further explanation is needed for why the town administration has not mapped out anew the whole system of underground infrastructure, which is so important for everyone living in the area. This point was made by Margarita, who stated that a special authority, the protection centre against infections, controlled sanitation. Having a latrine is forbidden. It is also forbidden to clear out excrement – in a private home, in a hotel, anywhere. Anyway, you have to do it. You have to do it without permission. If somebody suddenly wants to check, then you are responsible for it yourself.

This is a common aspect of the relationship of Russian companies with the law. To follow an order given by the authorities, you sometimes have to violate another order also given by the authorities. You are always guilty if you get prosecuted. You start your enterprise without permission and you handle waste in the wrong (even if the only possible) way, etc. You have to take the risk and just trust your luck and that the authorities will understand the situation and not do anything.

There are also more positive statements from small entrepreneurs, remarking that even if they feel that they are not getting help from the authorities, at least they are not being hindered by them. This situation is described by Lindner as an ‘alliance of the locals’.²⁰

Authorities in the hands of entrepreneurs?

In 2003, the mayor (interview) was talking about Mikhail with great respect. Mikhail had started with ‘two empty hands’ in the forest and eventually built up a fortune.²¹ This entrepreneur was travelling around in a limousine with a private driver. He had his own helicopter pad. The mayor seemed to be especially proud of the fact that Mikhail had been able to develop a hunting business. Some of the ministers come regularly to hunt bears in Klotskii district. ‘Even the Spanish king has been here,’ he proclaimed.

For the mayor, the forest was a resource that could be harvested, for which he could get something in return from entrepreneurs. This strategy was particularly useful for the larger firms, it was easier to deal with just a few strong firms. At that time we heard about how politicians traded forests for promises to create work places. The mayor admitted that he helped firms to avoid taxes if this was important for their development. He said that he could ‘turn a blind eye if these companies create large agricultural firms that can employ women and contribute to fulfilling social needs in some of the villages.’ He was quite open that he had given Mikhail some advantages, as he expected him to give something to the community in return. Mikhail had just dismissed some of his workers in the process of rationalisation. The mayor illustrated the deals he had settled with both Mikhail and Alexei. They were to build a cattle shed for 200 cows each year in exchange for timber harvesting areas. This would create salaried jobs, possibly preventing some of the young people from leaving. However, when we asked the new leaders about this deal a couple of years later, it was apparent that they did not know about it (interview, vice-mayor, 2005).

As the state dairy was near to closing, the director was allowed to take over. Because he needed new capital, he sold shares to Mikhail. We heard that many entrepreneurs just came directly to the mayor to ask him to privatise a certain state company. He pursued a generous policy of privatisation as he believed it was necessary. At the time, there were apparently many problems: unfulfilled deliveries, unpaid salaries, workers who did not show up for work, obsolete equipment. The mayor had to deal with such problems as they arose.

‘Now Mikhail understands that you can’t live on forests only, you need jobs for women as well’ (interview, mayor, 2003). Consequently, Mikhail invested money in the development of the village and he was also taking an interest in the development of small businesses. He provided part of the financing for a new school, and he also financed various building projects such as a sports hall, an ice-hockey rink, the renovation of the house of culture and the construction of a fountain and the like. The other form of assistance he provided was social contributions, such as housing or transportation to work, childcare and child benefits for his employees.

Many held the view that the two largest entrepreneurs did not have to obey the laws and regulations in the same way as others, and that community officials were ‘in their pockets’. They have their own electricians. In 2003 we heard about the good relations between the mayor and Mikhail. Two years later, the female vice-mayor (interview, 2005) said she worked very closely with Alexei, while a former vice-mayor, also a woman, presented herself as Mikhail’s manager.

At a later visit, the vice-mayor (interview, 2012) who had been in her post for two years, described how they focused on developing common projects that would benefit the community as well as the individual entrepreneurs. Her choice was to work closely with the third important local entrepreneur, Yuri, in order to build up a ski tourism centre, which was financed largely by central funds. She believed in large projects. The idea was to achieve the status of national park for the area around the skiing centre and to attract small entrepreneurs to build up activities with a cultural orientation around it.

Begging and bribing

Official begging is another side of the dependence between business and administration. Local administration has always lacked money because the tax revenues are mostly collected by the upper levels of the administration. Local budgets are limited and sponsors and entrepreneurs are expected to participate in funding local events and investment needs.

Marina explained that for her holiday village she tried to choose what to support, as she could not contribute in all spheres. Priority was given to ski-related activities for children. Such voluntary contributions fit well with her work as a ski teacher. Margarita (interview, 2013) illustrated with frustration how the authorities have a lot of wishes to fulfil even if they cannot support the establishment of the company in any way: ‘If something comes up, then they call me: “Elena Ivanovna, it is needed.” It is needed! Our authorities are like that. Well, what do we need these authorities for?’

A holiday village owner (interview, 2013) was also contributing, but was critical of some cultural expenditure: according to him they were a waste of money, because the receivers did not take care of the things they got. He mentioned loudspeakers which were taken to the beach and then left there in the rain. He preferred to support sports facilities. In children’s homes we heard about many sponsors. An entrepreneur had supported many events for children and for

teachers, but he had disappeared because of some obscurity in business. Luckily the enterprise continued to provide support. Also the local police and a sports club supported these children in different ways (interview, director of children's home in a village near a city, 2013).²²

Sometimes it was unclear if payments to authorities went into the administration's budget or to the personal use of staff members. To getting the licences for her mushroom and juice production, Tatiana (interview, 2008) needed to pay the authorities 'additional compensations'. Margarita (interview, 2013) knew there were many who wanted to reap some of the fruits of her success. But she was not going to give a single rouble in bribes for her business activity. She viewed the company not as hers, but as belonging to her children, who had worked there since they were 12 years old. She thought she had succeeded in getting things working because she was active, had good relations and never behaved badly against anybody. She had been asked for bribes. She remembered the strict fireman, who had not approved the opening of the hotel:

When we opened I was told that the fireman does not allow us to open. I said, what is this about? He came to me, you have no door on this side at all, renovate it, take the element away. There must be an opening. We did all this. He came for inspection, and said that he will write in any case a penalty for 30,000. I said, 'then you write it.' 'You have four days to pay.' I said OK. He understood that I would not give him money and pressed me unnecessarily ... Today we have good relations. I say him: 'Fedor Mikhailovich, do you remember the fine present that you gave me in the opening, a penalty for 30,000!' He: 'Well, okay, we forget it, all is forgotten. Money – that is evil.'

Reflections

Although institutional rigidities might prevent agency, the data show that households find ways to cope. Household strategies become more salient under conditions of social change. Interviews provide examples of how it has been possible to run small-scale businesses within households in tourism, textiles, agriculture and food processing, in timber harvesting and handicrafts, and in offering services for car drivers. The possibility to start firms facilitates non-hierarchical decision-making, a development which means that norms to some extent have changed. Both men and women start firms in traditional female branches such as in trade, where actual behaviour differs from traditional hierarchical structures. Interviews reveal how small entrepreneurs try to avoid becoming absorbed by hierarchical business structures by not becoming too large and how a general high level of uncertainty encourages households to develop several businesses that are coordinated within the household. By organising housework and childcare within the framework of these businesses, women are also able to combine their responsibility for household duties with their entrepreneurial activities.

The interviews illustrate the fact that there are many new possibilities for potential entrepreneurs, while there are also so many possible and sometimes

unpredictable obstacles to overcome. Weak institutions seem to have opened up a space within which households as organisations can develop their own strategies for combining breadwinning and care, based on the setting-up of several businesses coordinated within the household. To reduce uncertainty, households have adopted various strategies: diversification, gradual development, independence in borrowing, independence from larger firms, development of links with local development projects and non-reliance on the state.

This chapter is not about the poorest households, but about those who are above the surface, those who find strategies to set up businesses based on their own agency. Business development could be seen as a rather risky activity, as a survival strategy or simply as a way of raising oneself out of poverty. Households might just want to be able to manage without unexpected interference from other parties – to simply be left alone. Strategies become a matter of how to avoid interference from bureaucrats as well as from other businesses. One common factor is also how households find ways to make use of the access to land and natural resources, and to increase financial resources for business development. In particular, a preference for engaging in timber harvesting rather than the cultivation of agricultural land has been noted. The latter takes time and investment while the former provides opportunities for immediate cash. ‘Anybody with access to appropriate equipment could go out and cut down timber, with or without permission – who cares?’ (interview, forest entrepreneur, 2006). This reflects a low trust in the functioning of the legal system.

Our study reflects how entrepreneurs adapt and adjust to the perceived arbitrariness in the enforcement of rules at the local level. But it also reflects a belief in gradual development, that it is possible to develop a business if you are careful. Although there are many difficulties in the local settings, the common goal to stay and survive in the local area also unites people. A genuine interest in the survival of communities and villages means a common interest in the survival of local entrepreneurs, and the reliance on personal relations is perhaps easier in localities where the number of faces is limited.

Notes

1. Simon Clarke (1992) distinguishes three types of spontaneous privatisation in that period: the private appropriation of property and financial assets of the Communist Party and the *Komsomol*; transferring the profitable parts of state enterprises through cooperatives and leased enterprises to private ownership; and the siphoning off of profits from state enterprises through private commercial and financial intermediaries.
2. The Russian word *les* means forest. On the role of *leskhozes* in the Soviet system and after, see Chapter 2, note 6.
3. See Chapter 2, note 1.
4. See Chapter 1, note 4.
5. Members in Communist youth organisations in the Soviet period.
6. Closed towns had privileges such as receiving special deliveries, funded by the federal state.
7. Valeri described how he built up a business ‘with two empty hands’, how he was cheated and lost everything and how he started again. Kay (2006) has provided similar examples based on her own field work.

8. Two million roubles was about 340,000 US dollars in the beginning of 1998 (Bank of Russia, database, foreign currency market). During the six months of financial crisis, 70 per cent of its value in the exchange rate was lost.
9. We met him during a field research trip in the spring of 2015. He had agreed on an interview for the following day, but had to travel and the interview could not take place, so the continuation of this story is left unclear.
10. This was even worse in the hotel in Lopatino in another region, but solutions could be found there for each problem, one by one.
11. This is compatible with earlier research which found that extended families had a crucial role in making post-socialism survivable (McMylor *et al.* 2000; Pickup and White 2003; see also Ledeneva 2008 on *blat*).
12. Both the tourism firm and the textile firm followed this strategy (interviews, 2003).
13. Two people (interviews, 2003, 2005) talked about serious problems; one of them had to hide because of his debts.
14. Both the statistics and interviews reflect the general difficulties encountered in developing small enterprises in male-dominated branches such as heavy industry and metalworking (Glisin 2002; Sätre 2012).
15. In November 2003 some businesses within agriculture and forestry, two bakeries, three hunting teams and some cafes and restaurants, although run by different managers, were controlled by one and the same person. In 2005, however, one of the other major entrepreneurs in this community, who was also providing protection services for the businessman mentioned above, had taken over control of all his businesses except for the forestry firms (interview, 2005). In 2014, the very same individuals still dominated the scene (interview, vice-head. 2014).
16. Kay (2006) has come up with similar findings. See further Kay (2006: ch. 4) for a thorough analysis of the potentials and pitfalls of male entrepreneurial activities, which is based on her own fieldwork in Russia.
17. It appears that the more profitable entrepreneurs who started in the 1990s have benefited from the low wages.
18. Which happened also in 2005–6 at least in the state budget sector.
19. A legal officer who both investigates and prosecutes crimes.
20. A common goal of community survival might imply that while the more profitable entrepreneurs are subject to bargaining and ‘begging practices’, the smaller ones are just left alone, suggesting that they might have an advantage as nobody is interfering with the development of their small businesses (see Lindner 2009; McMylor *et al.* 2000).
21. Mikhail was born in the 1960s in this village, some 40 kilometres from the community centre of Klotskii. As mentioned above, he had been a local leader of the *komsomol*.
22. Two years later we heard that this children’s home had been closed.

5 Solving social problems

‘Everybody has a gardening plot, without a plot you wouldn’t manage. But there is a difference, now you can at least buy something.’

(Head of a library in a small town, 2014)

In the library of a small town we heard from a group of library staff that about a third of the population was poor, while about five per cent were rich. In the latter group they counted a few entrepreneurs and those working in the administration. In the middle class they counted, for instance, teachers, although these generally receive rather low salaries. But such subjective views are not compatible with the official statistics. Migration workers¹ could be classified as poor, although they usually have quite good earnings, while some others who really do have problems are not classified (interview, five library workers, 2014).

Is the school doing anything to support children from poor families?

The headmaster (interview, 2011) in Startsevo’s school explained that they did not distinguish between poor and rich children, all were treated in the same way. He held the view that success depends on the children. He was very proud as children from his school had managed well in comparison with other schools. He was soon going to distribute prizes among the pupils. He said he was also proud of his teachers.

The children who are classified as poor get free lunch at school, the social services covering the costs. If both parents are alcoholics, the school does try to pay special attention to the child and provide additional support. A special emergency group with representatives from both tutors (*opeki*) and social services has been created. Pre-school children get milk for free. The school has its own plot on which to grow vegetables. School children are allowed to work there and they could earn some money for this, but permission from parents is needed if they are under the age of 14.

The head teacher (interview, 2013) of the school in Dybrovo, another small municipality, remembered how difficult it was to work in the school in the 1990s: teachers took on huge responsibilities, and they were able to get support from the Norwegian Red Cross. ‘At least they don’t die from impure alcohol as in

the 1990s.’ At the time of the interview, about a third of the children were on the list of social services. These children lived without running water and toilets and they got help from the school. The head teacher described how she herself was able to get toilets for the school. The Norwegian Red Cross gives clothes, also for adults. For the last eight years, the Red Cross has paid for school lunches for the children. The school also benefitted from a Russian programme which provides school children with free milk. The school drives the children to the swimming pool. If they do not have enough money they ask the monastery for support, or the head teacher herself applies for project money through the Russian Red Cross. The monastery provides meat and other food products to poor families through the school. In addition, the monastery has provided protection for three girls. The head of the school spoke about two young school girls who became pregnant, and that they were able to receive project money for ‘bad girls’ through the Red Cross. The school tries to follow up the families that are believed to be at risk of breakdown.

In a mono-town, the teachers get a list of the poor families so that they can pay special attention to their children. They get pens and other material needed for school for free, food three times a day and summer camp for free. The older children from these families are first in line to earn a little money, if they organise work brigades to clean the town. They collect money if someone dies or if there is a fire, and there are parents who pay for those who cannot pay. Some parents help with sports equipment and prizes, for example books. They also collect toys. However, ‘many of the poor families don’t want to accept anything as they don’t want to show that they are poor – but it can be seen, the clothes ...’ (interview, educator in mono-town school, 2011).

Economic recovery, shocks and reforms

For those who survived the 1990s, the situation improved after 2000. We can find positive consequences of new rights for small businesses for example, varying a lot in time and place because of contradictions in legislation and implementation, and traditions of control and corruption. There are also marks of local initiatives and innovations, indicating decreasing anomie and increasing social trust. Solutions have been sought through private efforts as well as by applying to the state programmes.

Falling national incomes turned to growth after having reached the bottom in 1998–9, but it took eight more years for the per capita income in Russia to be back at the level it was when the economic downhill started in the late 1980s (Leeson and Turnball 2006). The national economy and well-being of individuals was not, however, affected just the once. When the economic shock from privatisation was over, the Russian economy battled with high inflation and devaluation in 1998–9. Ten years later, the global financial crisis hit Russia and since 2013, falling oil prices and economic sanctions due to the Crimean annexation have caused severe problems.

Transition was coupled with economic reforms, for example legalising the right to start a private business or private farming. With these reforms, ordinary

people gained some new rights while losing others. Above all, they lost the right to get a job, along with different rights to services they had been entitled to in the Soviet period. With the decline in government expenditure across Russia, household spending on previously free services such as medical care and education has obviously increased. Official and informal charges for healthcare, textbooks and school lunches, together with the increasing cost of public transport, all mean that access to basic services has been severely eroded.

There have been protests and strikes from time to time. Many Russians have migrated from ex-Soviet states to Russia as well as within Russia. However, it appears that in general Russians have accepted the downward adjustments, as well as periodic occurrence of unpaid salaries at times of crisis. Employment decreased in the 'other' Russia, because of bankruptcies and rearrangements in agriculture and forestry.² Nevertheless, unemployment in Russia has been rather low, and one important reason for this is the tendency to cut wages rather than the number of employees when costs have to be reduced (Kuznetsov *et al.* 2011).³ Russians are believed to be quite used to coping in different situations, and will most often refer to how they managed in the 'crazy times' of the 1990s. 'If we survived the 1990s, we will survive this time as well' (interview, former vice-mayor 2008.) There seems to be a general view that populations in the provinces will not protest, but will just survive thanks to their plots and picking berries and mushrooms.

Another buffering feature is the relatively large number of people employed within the budget sector. Their salaries are partly used to buy services from local people, such as making firewood, transportation and renovation work, be they registered entrepreneurs, low-income workers or unemployed villagers. Limited possibilities for collecting taxes from local firms and local citizens, however, push the local administration to develop different types of informal taxes.⁴ Informal taxes can take the form of in-kind benefits such as social services and housing, road construction or the renovation of school buildings and also include demands to create jobs (interviews; Gaddy 2007).⁵

The transition exacerbated the hardship of those groups traditionally thought of as being disadvantaged – pensioners, families with large numbers of children and single-parent families. In the aftermath of the *perestroika* process, however, poverty acquired new faces (Ovcharova 2008). New groups of poor people emerged, including the families of workers on low salaries (especially agricultural and public sector employees), and the long-term unemployed (Klugman 1998; Lokshin and Popkin 1999). After the global economic crisis in 2008, many young people fell into poverty as a result of their poor adjustment (Rimashevskaya 2010). Another constant feature is that Russia has a rather large group of people on low incomes who are vulnerable to small changes in the economy (Korchagina and Prokofeva 2008; World Bank 2009: 19).

During the Soviet Union, social expenditures were on quite a high level and wage differentials were small, which meant that the distribution of income was significantly more egalitarian than in most market economies. Macroeconomic shocks during the 1990s and 2000s were experienced by the population primarily through higher prices, reduced real wages, wage arrears and shorter working

hours, but not unemployment. In contrast to the income compression of the Soviet period, society polarised between mass poverty and small economic elites. Calculations of income inequality in Russia show that it was rather high from an international perspective, with a wide distribution of wealth (Rosstat; World Bank, 2009).

Since 2007 inequality has slowly decreased, generally reflecting small increases in wealth among poorer and middle-income households. Yet an acute sense of relative deprivation remains for those at the bottom of the scale, both in contrast to the obvious wealth among a small minority and in comparison with living standards before the economic reforms in the 1990s.

Reforming social protection systems

Across Russia, the sudden emergence of large-scale poverty in the 1990s was exacerbated by the fact that the social welfare programmes inherited from the Soviet Union were inadequately focused on deprivation. The Soviet authorities denied that social ills like poverty existed. Social benefits were generally universal, for example pensions, or else awarded to particular groups of the population on the basis of merit or special needs: for example to military veterans, mothers of large families and disabled people. A significant amount of support was provided in kind or as discounts on services, rather than cash. The notion of ‘targeting’ state financial resources to individuals on the basis of material need was unfamiliar, and existing welfare programmes thus could not cushion shocks to income and well-being during the 1990s, especially in a situation when up to one-third of the population officially lived in poverty. Russia has confronted the challenge of reforming its social protection systems in conditions of limited budgetary resources. Also, considerable resistance to change has appeared from a range of stakeholders: public protests broke out across Russia in 2005 when the government attempted to replace a range of subsidies and free benefits for pensioners, veterans and other groups with cash payments.

Russia has used budgetary reserves amassed from natural resources to raise pensions and social payments at regular intervals. Such moves as increasing pensions by 35 per cent in 2010 have ensured that real disposable incomes actually rose, despite the economic downturn in the years of financial crisis. Wages for teachers, librarians and cultural workers have been raised, and should – according to the government’s plan – continuously rise until 2017. Regardless of their employment status, all individuals are eligible by law for a basic pension and free healthcare. This principle of universal coverage of the provisions is combined with a low level of provision. Welfare has been financed by oil and gas revenues rather than tax revenues. This means that access to welfare services is not conditional upon formal employment and personal contributions. This also implies that individual taxpayers are alienated from the state and that government bureaucrats are not accountable to taxpayers.

The poverty phenomenon in the 1990s opened up a new profession of social work experts along with resources allocated to social security (Iarskaia-Smirnova

and Romanov 2002). Means-tested schemes became the dominant form of social support, which meant that targets for support were diverted from families to general groups (Kravchenko 2008).

Interviews concerning the social services supplied and received in three regions give insight into the formal conditions and procedures: what you have a right to if your family is classified as poor, a family with many children or if someone is disabled. There are also many documents demonstrating the size of the different benefits and depicting their adjustment to compensate for price increases. Social services provide information to groups entitled to support about their rights. At the same time it is evident that hierarchical structures in social services have many negative effects, among others that recipients have low trust in authorities. Also, there exist problems of enforcement: for example, it appears that it is difficult for social services to allocate help to the most needy. The poor have to apply for benefits themselves, but many do not fulfil the requirements.

Although social policy in part continues to be financed by the state, it is organised in a new way. The deficit in local level budgets indicates that women, who are responsible for social welfare, have to find sponsors for their regular activities by themselves. As a consequence, women working in the social sphere have created support networks to be able to cope with the given responsibilities (Sätre 2014b: 398).

Detailed figures are collected about the number of families of different types. According to an interview in Archangelsk, 41 per cent of all families in the Archangelsk region received some form of social support from the state in 2012. Federal money goes to provisional rest homes for children and a summer camp, which is in operation for children from the entire region. There are many social programmes, above all the ‘presidential programmes,’⁶ which target help directly to families with many children, and indirectly via social centres (interview, state official in Archangelsk, 2012).

At the social service centre of a region, officials talked about the mother’s capital.⁷ Different sums of money were mentioned, and all the rules and coefficients to be used for calculating the correct benefits or compensations, and how to adjust them for inflation all sounded rather complicated. On top of the state support system come the regional programmes, i.e. subsidies for families, for their living and for education, and extra roubles for a third child. Families can also get land for free to build homes. It is important for the local administration to be active in order to get any federal funding. This funding is mostly based on the system of co-financing. It is possible to receive 80 per cent from the federal budget if 20 per cent can be paid by the region (interview, two officials, 2012).

The information gathered in this interview is that a recipient can get support for education up to the age of 23 and the mother receives 6,800 roubles per month, with an additional 400 roubles per month for the child’s food at school and 1,500 roubles per year for clothes.

The stories from villages and small towns in different regions are similar: you have to help people to know their rights and encourage them or simply take them by the hand and go to social services. In smaller places distances matter, if you

have to go to the community centre to fill in papers and apply. In Karelia, a bus goes out to reach people in the villages. Libraries are sometimes important for the distribution of information and then there are the deputies to turn to for help, as well as the school and the health centre. In general it is women who take responsibility, in the context of their work or besides work, for filling the empty holes that the formal system fails to manage (Sätre 2014b).

Lidia, the woman in charge at the employment centre in a city, recounted the anti-crisis programme launched regionally and locally in 2009. An unemployed person could get 58,000 roubles to start a business. Nineteen people received this support in 2011, but only 12 in 2012, far below the earlier high numbers of a few hundred per year who got this support in the Archangelsk region. The same sum was mentioned in a few different places in the following years. In an interview at the job centre in the small town of Lopatino, an official told us that three persons had received this subsidy in that year, while the number had been considerably higher in previous years. They also were involved in the complex system of federal and regional programmes, with different sums of money available, sometimes adjusted for local circumstances or for inflation, sometimes not. At least they show an ambition to support agency. But job centres also provide courses, teaching skills that could help parents to save on expenses, i.e. renovation skills for men, or sewing of clothes for women (interviews, leader of employment centre, city, 2012; official of job centre, small town, 2014).

Federal and regional programmes at local level

National programmes

In 2005, the Kremlin launched the National Priority Programmes, focused on healthcare, housing, education and agriculture (Smyth *et al.* 2007; Appel 2008; Chebankova 2010; Treisman 2010).⁸ These programmes were to be implemented, with the assets of the Stabilisation Fund, by governors.⁹ Regions and individuals have to apply to take part in them. Although it is difficult to estimate to what extent the programmes have actually been implemented, interviews with local authorities and low-income families reveal that they have benefitted from participating in the foster families' programme, in the young specialists' programme, in programmes for building private homes, in programmes for young families and in programmes for setting up businesses. Others have improved their living standard by using a grant for building their own house or have used the so-called mother's capital for building a bathroom.

There are programmes which a community could take part in to reduce poverty in an indirect way, by improving roads, renovating houses or building a sports centre, or as earlier mentioned by providing jobs for young people. An example from a rural district illustrates how the mayor and the head of culture, both females, tried to activate people by advising how to apply for project funding (interview, 2003). The same was heard several times in other communities. Local officials promoted cultural activities, education, women's clubs and local development groups to make

people more self-confident, thus bringing about a change in the mentality of people towards seeing possibilities and taking action (interviews, local officials, 2003, 2011, 2012). They also promoted the establishment of social NGOs, which are used for applying money from welfare funds at higher levels (Sätre 2014a).

Local projects

Applying for project money

Interviews reflect how female officials and politicians have initiated social projects, cultural activities and small businesses in villages. One example is the 'house of culture' which welcomes children¹⁰ from distant villages. A vice-mayor reported that she had been able to receive support from a charity fund for a youth project directed at youngsters from problem families. Interviews also prove that local authorities are able to mobilise local entrepreneurs to combat poverty in Russia. This is about local officials making use of their own human capital, as well as improving the skills of the local population through personal advice, projects and educational programmes (interview, vice-mayor, 2011, 2012; Sätre 2014b).

Svetlana described how people collected a bunch of documents and how they came to the local administration, which sent the applications to regional administration. 'It has become too easy, ideas are not as creative as before,' she remarked. According to her, it is the middle class and those who want to set up businesses who take part in all the programmes. It is the small firms that receive the highest amount of money. Participation in programmes also contributes something else: skills are developed. Entrepreneurs were giving support to villages as they wanted to stay in Klotskii; 'they wanted to be able to look people in the eye' (interview, deputy in district centre, 2014).

In the same district there are also places which are not doing well at all. A local official emphasised the differences on the lowest administrative level within the same community: 'Some do not have any money of their own, due to the lack of firms. This means that they have to live just on subsidies which are inadequate.' One local head admitted using her own salary if the budget was not sufficient; another one said that she would often cry because of the miserable situation in her villages, and how she had already spent her own salary on urgent matters (interviews, two local heads of municipalities, 2011, 2012).

In 2012, the vice-mayor responsible for social policy emphasised that poverty was the responsibility of the state:

Social services are part of the state, they [leaders of the state] decide who is entitled to support, who is classified as poor (*maloimushchie*), and thus how to distribute benefits – this money comes from the federal level. The community can pay for transport to the hospital for somebody from a distant place or for a pregnant woman, given that the person is classified as being entitled to support. We build houses for social living and pay housing (rents for flat) for the weak and elderly. Then we have programmes for preventing infant

mortality, and for the rehabilitation of mentally sick children, for which we can get support from rich individuals or firms.

(Interview, vice-mayor, 2012)

There are programmes for families with several children and for young families at both the federal and regional levels. According to the law, any federal law has to be followed by a law at the regional level. This, however, means that there is some possibility for regional differences. Although we see quite a similar pattern in different places, there are also differences among the four regions we have visited. Oxana gave some of the details for regional legislation in the Archangelsk region at an interview in September 2014: according to a new law, families with seven children or more receive two million roubles which only can be used for housing. In Klotskii she could mention one such family which had received a three-room flat from the district centre; similarly families with at least six children get a car for free, nine families doing so in Klotskii in 2014. Besides the federal level's mother's capital for a second child, families get 50,000 roubles¹¹ extra for each child, from the third child onwards, from the regional programme. This is something families can apply for when the child is two months old. In addition, mothers can get extra money, 30,000 roubles, if the child wins a competition. This regional programme continues until 2018, and the money is indexed so that it grows in the bank if it is not used immediately (interview, head of social services, 2014).

Families get land to build their own house

Oxana gave further details about her own village, for which she was also a deputy. Families with at least three children (*mnogodetnie*) received plots of 12–15 acres (*sutok*) within six months after they applied, but they have had problems managing the building of their house. There is a risk that the process of building will become too long due to having too little money.

Anna (interview, 2015), who was a financial manager in a district centre, explained some details of what was applicable in this particular district. Twice a year some thirty families are allotted a piece of land where they can build their own house. They never get the money in their hands, just a certificate. According to her, the money goes directly to the construction firm. There was also the programme for young families, but this was only for low-income families, and you had to be less than 35 years old to qualify. There was a queue, and the applicant did not have the right to get a plot of land right away. This means that those families which hope to benefit from the 'programme for young families' are afraid they will become too old before it is their turn. Anna remarked that her family was not able to benefit as they earned ten roubles too much. Obviously she thought this was unfair. The way to calculate the benefit is to add two sums of subsistence minimum for the two adults in the family, then a specific amount corresponding to the minimum subsistence level for the only child in the family, which is based on her age – they have a daughter who was eight years old. If their

daughter had been a teenager, they would have been included in the programme, she stated, as they were under the age of 35. Because she is working for the state, her low salary is registered properly. But she knows people who are included in the programme and who earn more but are paid informally, which means that officially they earn less than the subsistence minimum.

Despite various problems and uncertainty, and given that it is unclear how many will actually benefit from them, it is clear that all the various programmes give individuals the possibility to improve their living standards in quite a few different ways. We have seen many new houses in villages and small towns in three regions. There is also a programme for restoring old buildings, enabling those who live there to move to newer dwellings. New construction often takes place in new territories on the outskirts of villages, where many houses are being built in the same place. Sometimes people have to build roads and canalisation themselves; in other cases it is done by the community. Some of these new villages have been built on former *sovkhos* fields. In some communities such areas did not exist at all. Building subsidies combined with the foster family reform have enabled families to build homes in villages. For some it is their native village, while others have moved there from the city.

The programme for ‘young specialists’ also contributes to building activities. Its aim is to attract teachers and doctors to villages and smaller towns by giving them extra benefits, such as free houses or financial support. In Lopatino, some distance from the town centre, you can see eleven pink houses in a row, which have been provided for free for teachers. Also sports trainers in the new sports hall have been given houses here. In Gagino, the four yellow houses that were built for teachers lie next to each other on the way out of the village. In Rusirovo there are several new roads with new houses along them. The same can be seen in two different areas in the district centre in Volskii.

According to the head of culture, Nastia, ten families in Ust-Vershim received land to build their own houses. But the village school had been closed for two years ago. All the 76 children have to be transported to a bigger school in another village. Unfortunately, due to some administrative problems, the former school was not used at all. Nastia wanted to use it as a house of culture, but the land was federal land, and they needed documents from the regional capital to get it (interview, head of culture, 2014).

The overall impression is that all these programmes make a difference, not only for the individuals who can benefit from them, but also for the villages; programmes provide a possibility of developing decent life circumstances in rural territories. But there are differences between localities. It appears that the role of the local level is really important both at the district level and at lower municipality administration. If local administrations are not active, they do not participate in the National Priority Programmes. This means that the inhabitants lose this opportunity. Similarly, an individual needs to be active in applying to get social benefits and is also able to collect all the required documents. For some programmes, like the one for young families, there is a queuing system. Activity and abilities differ between communities, and we have seen wide differences

between communities which are located next to each other. While the creation of TOS¹² seems to have spread across community boundaries, the ability to use national programmes does not seem to have spread in the same way.

The library

Libraries can have a key role in providing information to inhabitants about their rights. This is also related to a state programme. Every community library has such a function, and in a small town the focus is on how to increase the social resources of the youth. The library in a small town also provides a meeting place for the club for foster families. ‘Ordinary people have become more aware of their rights,’ pointed out the librarian. A couple of examples of how individuals had gone to court to get their right to a higher pension were mentioned (interview, librarian, small town, 2014).

A woman (interview, mother, 2013) in a village described how the librarian told her about the new possibility to take foster children from the children’s home. There was a great interest in doing so and in 2006 there were quite a few families queuing to take children, but most of them later cancelled their application. In the end her family was the first in the village.

Later they had some problems with the boy they had taken from the children’s home and they needed a psychologist. They had earlier received advice on the phone from the children’s home, but this time the tutor did not help them. The husband of the woman criticised them, saying that ‘they just follow the party line, they are so hierarchical, they have solely a control function’. However, when he complained through the library he got help. The librarian forwarded the complaint and the tutor was directed to change the way of working with families. The librarian has political connections – she is acting through deputies, and she can also call directly to Moscow (interview, foster parents, 2013).

NGOs

The research team came across non-governmental organisations (NGOs) which work actively for changes in existing rules by lobbying for policy change. The chairperson of the Association for Mothers with Many Children described how she struggles for better childcare benefits and suggests that mothers with many children should have a ‘workbook’ and be regarded as employees with a guaranteed wage for taking care of children on a par with social workers, teachers and psychologists (interview, regional capital, 2010). Another example is the leader (interview, 2010) of a public organisation for helping families affected by domestic violence who works for stronger legislation in this field. She emphasised the interrelationship between violence and poverty and suggested that ‘empowering women could reduce poverty’. Such examples also draw attention to the fact that there is not always a clear borderline between human rights issues and the activities of NGOs: policies to support socially oriented organisations might also have an impact on human rights.

Our research identified several initiatives taken by individuals (for instance a former workplace leader, an entrepreneur, a local politician) and provided evidence of the initial stages of the empowering processes. However, the development and outcomes of such initiatives depended on the contexts in which they were undertaken. Where mechanisms for supporting new ventures or dialogue were lacking, such initiatives could end up as single events before there was time for them to take root.

The benefit recipients interviewed in Archangelsk had never heard of any NGOs. In general, however, efforts to increase voluntary work and to popularise the third sector seem to have increased knowledge about NGOs. In Russia, the number of people who had never heard about NGOs decreased from 54 per cent in 2004 to 44 per cent in 2012 (Obshchestvennaya palata 2012). One effect is that Russians more often know about self-help groups and groups for helping socially vulnerable people.

The statistics show that in 2012, 18 per cent of the population participated in societal organisations such as trade unions, gardening clubs and housing associations, indicating an increased participation in groups that coordinate activities which might improve the quality of life (Obshchestvennaya palata 2012). One important factor is the openness towards cooperating with not only relatives and close friends, but also with others to fulfil a common need. This attitude was put forward by an interviewee in a city who thought that there was a collective attitude between neighbours, an ‘everybody helping each other mentality’, and that some also came to the NGO to ask for help on behalf of a neighbour (interview, NGO leader, 2010).

NGO leaders themselves are often examples of ‘social mothers’¹³ who are capable of helping themselves and others out of poverty. Some of them have experience of working in NGOs or in the social sphere. Among these there are examples of how individuals teach each other methods of coping with poverty, such as sewing (Ivashinenko 2014). It appears that in the Russian case, local initiatives of cooperation with others in a similar life situation are more about coping than actually about realising agency for changing a particular situation. Another observation is that those who cooperate with each other are not necessarily the most vulnerable, but are more likely to be those who are marginally above the poverty line.

*FOK*¹⁴

There is a new sports centre in the small town of Lopatino and almost all the interviewees have some comment on this centre – mostly positive. Local people and villagers nearby are using it often and can in many cases use it free of charge. Families with many children drive there with their car once a week to swim while the son of Tatiana working in the job centre plays table tennis regularly. Teachers in the urban village talk about sports as a road to a better life for poor children. There is a field for playing soccer in the village, and the school goes once a week with the village’s own bus to the FOK for swimming (interview, five teachers in urban village, 2013).

Volleyball, basketball and outdoor football are played. The director at the FOK, Pavel, described a one-week camp organised at the sports centre for children from the children's home and children from poor families. This was paid for by social services and organised by the regional level administration, which meant that the children were not local. Pavel thought that everybody should be able to visit the FOK and that those who could not afford it should be sponsored. But it had become more difficult to find sponsors: 'Entrepreneurs have become tired of all the begging,' he said. 'You never know, as each entrepreneur is different. It is always possible to find sponsors for playgrounds and for sick children.' According to Pavel, the state does not prioritise sport enough and sport has rather become a private matter (interview, director of the FOK, 2013).

We also interviewed Galina, a figure skating teacher. She had two groups of four to ten year-old children, 15 pupils in each, mostly girls. She was working part-time in three different sports centres, one in a big town. She used to work full-time but the salary was too low and now she was also working as a mining engineer in a factory. She accepted all children regardless of whether they were talented or not. Children could borrow skates at FOK, but they ought to have bought their own in a couple of years. Among the children there were four from foster families, and there were also a few children from poor families, she said. Galina thought that the FOK was very important: children who used to play in the streets could come here and get together. It is important for children's health, and they grow if they take part in sports, and as for poor families their isolation is reduced by their children taking part in sports. She referred to the neighbouring city, Tretyakovo, where the crime rate among children had gone down after the FOK was built in their town. Another positive thing was that the FOK collaborated with schools and kindergartens, and that children learned how to swim. They had parties together and summer camps. Galina also found that the FOK was very good for pensioners as a place to meet (interview, figure skating teacher, 2013).

Many trainers at the FOK had been recruited within the framework of the state programme for 'young specialists', which means that those with a diploma received a flat and a car if they stayed for ten years. These experts were found in hockey, swimming, table-tennis, basket, volleyball, dancing and gymnastics, and they had all received their education at the pedagogical institute in the district town of Lopatino.

In Bykovo, a village in another region, a sports complex was under construction. It was costing one million roubles and to get enough funding, inhabitants themselves collected money, according to the local head (interview, 2015). The goal in collection had been 100,000 roubles, but they achieved twice as much, 200,000 roubles. Sport was seen as important in that village – people wanted to give their children better circumstances in which to live than what they had had in their youth. We had planned to visit the village but the local head proposed a meeting in the district centre. In the village was a previously prosperous *sovkhos*, which had degenerated during privatisation. They also had companies in forestry and even tourism was increasing, and the ethno-cultural centre had opened a unit there (interview, local head, 2015).

Persisting above the threshold***Voices from small towns***

Interviews show that many people, through their own agency, have been able to improve their life situations. But we have also come across those who have not been able to improve their situation no matter how active they are. Such families may work more and reduce their expenditure just to cope from day to day, staying poor and being vulnerable to changes that can start a downward process (Såtre *et al.* 2014). The supporting role of public authorities is especially important when considering the possibilities for poor people themselves to take action.

The fact people come to claim what they believe are their rights provides a sign of some form of empowerment. However, previous research indicates that the poorest and most in need of support might not come to ask for it (Round 2004; Iaroshenko 2010). They are the ones whom local people often describe as alcoholic, incompetent or simply unwilling to work. This opinion is given by professionals in the social sphere, those working in commissions, at schools, at hospitals and at the local administrations (Varyzgina and Kay 2014).

Engaging in trade in one way or another can be a way of coping. But there are difficulties here. Olga, who had moved from another part of Russia, said it was impossible for her to get a job making use of her skills simply because she was not from here. This had happened to her, so she started a shop. She was able to rent some space in a small building on the town square, where she sold chocolates, coffee and tea. She shared the space with another woman, Elena, who was also from another town. Elena sold children's clothes. The teacher who started her entrepreneurship by selling oranges said she had to go to another town to sell because she did not want to be identified as a trader in her hometown. But we also heard the view that it was impossible to manage as an entrepreneur in another town where you were not known as people would not trust you (interview, two shopkeepers in a small town, 2014).

Tatiana at the employment centre said that it is really difficult to get out of poverty by trading in the market. Her interpretation was that people would not buy from a poor person simply because they would not trust somebody who was known to be poor (interview, 2013). Marina spoke about her sister who was selling children's clothes at the market. She had sewn the clothes herself, but had not registered any business. She was just selling together with her husband at the market, earning only a little money. It had been really difficult at first, but then it began to go a little better (interview, unemployed woman, 2013).

Marina herself was unemployed. At first she had been registered as unemployed, but not anymore, as she was no longer entitled to any employment benefit after having turned down three job offers. It did not make a difference that the three offers were for the same job in a night club, she said. Marina did not want to work at night as she could not leave her children alone. Her husband was working in transportation as well as working extra on the side to get by. The family rented a small house without running water, but they could go and take a shower

at her husband's parents. The fridge was on the veranda. Perhaps they would be able to buy the house someday. Her husband's parents helped them by paying the rent for the house and sometimes for the petrol for the car – they need to have a car in order to go to the plot. Marina's parents died when she was 16 years old, but they still have the house with a plot in the village where she grew up. Marina was very happy to have such a nice family, they all go together to work on the plot. But she would really like to get a normal job, part-time, so she could manage to take care of the children, take them to school and be at home with them after school. She hoped that there would be a new factory opening soon, where she could get a job. She had worked as a taxi driver for a year. At that time their situation was even worse than now, as her husband was unemployed, and that was their only solution then (interview, unemployed woman, 2013).

Larissa and her family got a flat when their third child was born seven years ago. They were in a queue for this, but already a few years earlier they had bought their own building lot where they were building their own house. Her husband had been building it all by himself for twelve years now, but they hoped it would be ready the following year. They both had jobs, but the salaries were low. Her husband was working at an evening school as some kind of operator, while Larissa was a social worker. The most important thing for her was that her daughters got a good education. The oldest daughter who was 18 years old was in a higher education institution in a nearby town where the annual fee was 45,000 roubles. The second oldest daughter, who was one year younger, was at the pedagogical college free of charge because she had been such a good student at school. In addition she was very good at drawing. The youngest daughter was in a music school (interview, woman, 2014).

Larissa was very happy that her husband had such good hands, that he did not drink and that he was not going away on migration work (*vakhtovyi metod*). He earned a little extra money by repairing cars and was very good at this, but he had not registered his own business. Larissa thought he was simply too kind to charge enough as he was passionate about cars. They compensated for their low incomes by exchanging duties, favours and children's clothes with neighbours, and they also got some help from his parents. Sometimes they coordinated shopping with neighbours, buying larger amounts to save on costs. They cut down on the cost of food by mostly eating soup, porridge and what they grew on their plot. They tried to save on gas, which was important as it kept costs down in wintertime (interview, woman in a small town, 2014).

Vladimir (interview, single father, small town, 2013) was a single father with three sons aged 16, 17 and 19. He received a small salary from being the head of an organisation for disabled people. He grew up in a children's home and had been disabled since birth. He only learnt to walk at the age of eleven, when he somehow realised he could learn if he really wanted to, that it was up to him. The director provided him with books, and eventually he managed to get two different university degrees. Being classified as disabled, however, excluded him from certain kinds of jobs, which was regrettable as he did not feel disabled.

He was entitled to some benefits, which added a little to his income. Only the youngest son lived with him in the small flat. The other two sons worked in the

city, although not officially, otherwise Vladimir would lose some of his benefits. The two sons lived in a friend's apartment in the metropole but officially still with Vladimir. The house where Vladimir lived was in a really bad shape, he could not invite anybody there as it was too dangerous. The building was just about to fall apart: they had got a new roof which was too heavy for the old house, so the house was sinking into the ground and it was no longer possible to close the doors to the stairway. Neighbours on the first floor had already moved out. Vladimir hoped to receive a new flat through the state programme which finances the building of new flats.

The sons would get better salaries after the army, Vladimir said, and at least they had the plot. They had three bicycles, so three of them could go there together. This year they grew potatoes only, but unfortunately it was a bad year for potatoes. They took a small loan to buy a refrigerator and a computer. The family's most important costs were for the flat and the loan, and in third place was the cost of clothing. In addition came the cost for books, which were Vladimir's passion: he had a collection of 7,000 books, including all the Russian classics. He was happy to report that his sons were interested in reading as well – they had started to read the books and so had their friends. But Vladimir was very careful about spending: he wrote everything in his notebook to keep control and to be absolutely sure he did not spend too much. He had never even tasted alcohol.

Vladimir gladly described his three specialties, two of which help provide necessary additional income. He is an engineer, but has sown all the clothes for his children and has also sold coats at the market. The sewing machine was standing in his office, just below the huge portrait of Lenin. His second specialty was accounting and he earned a little by providing book-keeping services to people. Thirdly, he was a deputy, but did not get paid for it.

Alexandra lived in the same town as Vladimir. She had cried for a year after she was placed in this 'muddy little town' after finishing her university degree. It was customary in the Soviet time for a recent graduate to be sent somewhere where there was a job waiting. After a certain number of years one had the right to choose another place to move to. Alexandra originally came from Ukraine. In the end she settled here, as she had got married and had two children. As the chairperson of the pensioners' organisation she wanted to motivate people. In her opinion, most people were too passive, they did not demand anything – 'with them you don't make any revolution'. After retiring she worked as the vice-mayor for five years. Four years ago she started a small business together with her husband selling glasses. For her there was no problem starting the business. She could arrange all the necessary documents as after having worked for a long time in the town as a teacher, she had former students in every important position. Everybody just did what she told them (interview, former teacher in a small town, 2013).

Voices from the villages

It is difficult to find a house in the dark when there are no streetlights. The husband was on his way to the forest. He works at night to transport out of the forest timber

that has been logged in the daytime. At night the forest roads are empty. Elizaveta felt that they had had good luck, he had been employed in a forest firm since the spring. Denisov, one of the richest oligarchs, was the owner of the firm. They had sold their flat in another village and moved to this house which belonged to the husband's family. They used to live in Tadjikistan but left when the civil war broke out in 1991. Then they came back to Gagino. The family decided to move here, although they had to take a small loan to renovate the second floor. They could use the so-called mother's capital, which made it possible. The husband did all the renovation by himself. They had already been living in the middle of a construction site for many years, but Elizaveta was thankful to have such a good husband and that he was such a handy man. The house had been just an empty skeleton when they started renovating seven years ago. The kitchen was ready, they had a sauna but the bathroom was not yet ready, and there was still no running water inside the house. They had a plot for their own needs. Elizaveta confirmed that she was not too proud to accept second-hand clothes from other people. The car belonged to the firm. Only one of their five children was going to school. Education was something Elizaveta was going to prioritise, as education was necessary. According to Elizaveta, they did not get any support from social services, simply because they did not drink. Anyway, it seemed too complicated with all the documents. They were not allowed to buy on credit in the local shop because they had been able to afford a new roof, she stated (interview, urban village, 2013).

Ulyana lived with her husband and three children in an urban village. Until a little more than a year ago, she had worked in the glass factory. But when the factory closed she found a job in Margarita's restaurant at the hotel in a small town nearby. She read about it in the newspaper. Most of the staff in the hotel came from Gagino, she said. The cleaner, the woman taking care of the cloakroom and others. All in all they were about twenty. In the restaurant they worked in teams of three. Ulyana worked every third day from early in the morning until they closed at two o'clock at night. She took the bus back to Gagino early in the morning, as there was only one bus per day. Her children were eleven, eight and three years old. The youngest was in childcare. Her husband took care of the children while she was working. She did not have a farming plot, but helped others with their plots, which meant that she got what her family needed. In the hotel everybody had the same basic salary, then they got extra as a percentage on profits. Ulyana felt that it was better to work in the hotel than at the glass factory. In the glass factory they worked in shifts, also during the night. But the salary was insecure, they did not know how much they would get and salaries were often delayed. The disadvantage of the hotel was that she was away from home every third night (interview, hotel worker, 2014).

Ulyana saw no future in Gagino. Her husband was working in the forest, but Ulyana feared that all the forest would be gone in a couple of years. Only teachers got new houses, but she received help from the local head, who was her neighbour. Sonya, who was working in the restaurant as well, also came from Gagino. Her mother was sick, and as Sonya did not want to live with her father, they had placed her in the children's home. She was 18 now, and had nine siblings

(interview, hotel worker, 2014). We remembered her from the previous visit to the hotel, how her behaviour had made us think that she was perhaps from the children's home. It seemed like she had not received any proper training for the job, she threw the knives and forks on the table and did not seem to take into consideration customers when talking or when standing in front of the mirror in the hall while customers waited for her to serve them. But now she had learnt.

Children's homes and foster care

In the district of Klotskii there were four children's homes in 2003 but by 2011 only one of them was left. In this one home were 21 children in 2011, compared with 63 – three times more – in 2003. At the 'Centre for Motherhood and Childhood Protection' in the regional capital, the staff (interview, 2012) described their work with these children and how they try to help mothers with their problems. 'You can see it directly in their faces who has a problem with alcohol,' added the director, carrying on: 'The most serious thing is that there are more young families with problems now.'

The centre tries to find foster homes. Foster families are a part of Russia's new family policy which aims to close children's homes and to move children to live in foster families. The need for children's homes was sky-high in the 1990s when poverty increased, and many fathers and mothers were hit by unemployment and alcoholism so hard that they were incapable of taking care of their children. Reports circulated in the media about street children in cities, Russian children adopted by foreigners and children's homes filled with children temporarily or permanently in residence. Many fathers died too early and often parents lost their ability to take care of their sons and daughters. Increasing numbers of children in children's homes were later followed by new legislation aiming to move children into foster families instead of children's homes.

This change in direction is clear. Since 2007 Russia has had programmes for moving children from children's homes to foster families. In 2012 the number of children in the care of foster parents or guardians exceeded the number in residential care in Russia, pointing to incremental change. It can be argued that this means a deep change, because children's homes were considered good for bringing up children in collective thinking, when you were to do everything together as a group – sleep together, go to summer camps together, work in the fields together, eat together and so on. On the other hand, much of the collective spirit still remains within the childcare system. For example, when visiting a childcare centre in a district centre in 2015, the authors noted that this collective spirit was still there. The president's portrait was hanging on the wall, preparations for the celebration of Victory Day were in full swing, and a teacher specifically said that it was important to bring up children in this patriotic spirit. One of the teachers herself was a foster mother to three children. In the small rural community, Plota, there were 27 foster families and 130 *opekunskie semiya*. The latter means that relatives take care of children without getting any salary, just a kind of compensation for extra costs. To become a foster family (*priemnye semiya*), you need to go

through a special course. After one month's training you get a document enabling you to become a foster parent. We were told in various places that it is most common that families with one or two children take one or two foster children. These are often couples in their forties whose own children may already have grown up (interview, three teachers in a kindergarten, 2015).

Oxana, the head of social services in Rusirovo, said there were one hundred foster families in Klotskii. A foster family usually has one child of their own and want to take two foster children as then it becomes a 'family with many children' with all the privileges that accompany this status. Nevertheless only seven of the hundred foster families had actually received such a status. In order to be able to take foster children, you must have a job, and also enough space and a running toilet, so obviously this was meant for those who were above the poverty threshold. But the rich are not among those who are prepared to take foster children, they want to adopt if they want to take a child into their family. Oxana said that the control of foster families is strict. They check how the money from the state is used, that it is used to benefit the foster children. The foster parents have to keep a workbook and show it to the authorities upon demand (interview, head of social services, 2014).

Also in Obozersk it had become rather common practice that people in the villages take foster children from the children's home (interview, mayor, 2014). To be a foster parent was a kind of a salaried job which also gave the possibility of improving one's life in those small villages which do not have companies.

Zoya, the local head of Vershim, previously worked as the director of the local school in the lake-shore village until it was closed. She is a foster mother herself. Although they had two grown-up children of their own, they decided to become foster parents for a four-year-old little boy, after his mother died from alcohol poisoning.

The fact that children are to be brought up in families puts more responsibility on families, so in this respect the reform could be seen as part of a policy which transfers responsibilities from the state to the families (Sätre 2012), which also indicates a change in the moral climate. This clear change in policy is reflected in the interviews. Although there are various opinions on how children with 'bad genes' are likely to cause problems, there seems to be a dominant view that children should be brought up in families. It is clear some families had changed their attitude towards taking care of other children.

This reform has implied possibilities for many to start a new life in the countryside, as besides the various benefits they can get, one of the parents is entitled to earn a salary. With at least one salary in the family, it may be easier for the other parent to start some form of business. If you become a family with many children you are entitled to participate in state programmes that give you land to build your own house. With more children in smaller villages, the survival of local schools is promoted, and possibly other aspects of village development as well.

Foster families

Egor and Alexandra moved from the city to the forest village of Verkh-Borovlyanka in 2000. Both had a marriage behind them and two children each.

Egor had lost contact with his own children but was now, after ten years, about to find it again – thanks to Alexandra’s children who had contacted them via Facebook. Egor was a driver by profession and Alexandra had worked as a shop assistant. When they started a new life in the village as a married couple, the local librarian organised an information meeting on the possibility of becoming foster parents. The rules were, however, strict and everything started with control visits by a commission, checking that their house was clean and in good condition. They needed to drill a well and install a water closet inside the house, and they needed to fill many documents (interview, foster parents, 2013).

They received their first two foster children from the children’s home in Vasilevo. They were a sister and brother who had been taken from a family with five children. It had gone well with Evgenia: she was already studying at a pedagogical institute and visited them often. Her brother was a much more difficult experience: when he was 14 years they could not find a way to handle his behaviour, so they had to bring him back to the children’s home. Afterwards he was involved in criminal affairs and ended up in prison. Now he was a grown-up and had even visited them to apologise for his bad behaviour while living with them. It was his mother who had taught him to steal.

Then Egor and Alexandra wanted to take on a sister and brother again. They took Alena, who had two brothers. One of the brothers was so mentally damaged that they did not dare to take him, nor did they dare to take the other brother who was in hospital. The first brother was sent to a special boarding school for children with psychological problems. Now this boy had called them and asked them to take him too, so they were thinking about perhaps doing so. He would anyway stay with them only during weekends and holidays. When Alena had been living with them, they took a brother and sister from the children’s home in Kobazha. These children had experienced the tragedy in which their mother had killed their father. The girl remembered this and did not want to talk with her mother, who was now free and would call her. Her little brother did not remember what had happened. Later on they took more children and during our interview they had two girls living in their house and three boys living with Alexandra’s father near by. One of the boys had seen his father drowning, the second had no parents. This boy had at first been aggressive and his relatives did not want to have any contact with him. Now his behaviour had improved, although he lied quite a lot. The foster children also had learning difficulties at school.

Foster families can get several government subsidies. Alexandra said she gets 5,000 roubles as her salary from the children’s care authorities. In addition they get 6,000 roubles for each child’s needs (food, clothes, etc.). Evgeniya gets 5,000 roubles for her studies until she becomes 18 and she also got to go free of charge to a summer camp at the Azovska Lake – even if the train tickets, 9,000 roubles, had to be paid by themselves. The family also gets support for having many children. A doctor visits them to check the children’s health and that their nutrition and immunological protection is sufficient, and, of course, to take care of vaccinations. The parents have taken a course and can call the children’s care authorities or rehabilitation centre to ask for help when problems emerge.

Alexandra and Egor have also contributed to village development in many concrete ways. They have renovated their house, drilled a well and constructed running water pipes and a water closet – which is not common in these villages. Now they planned to make the house warmer. They bought another house only 100 metres down the hill and renovated it for Alexandra's father who had moved to the village. The boys moved to the father's house but they all eat together.

The five foster children were between nine and 13 years of age which for the local school has meant a good number of extra pupils. They started subsidiary farming as all the others who are able to do so have done in the village. They bought a tractor with support from 'Putin's programme' and got a start-up subsidy (20,000 roubles) from the employment office to buy a cow, a tool for hay-making and a small storage house, and also took a loan to buy a plough. It was even possible to get support from the state to pay back the loan. They rented land for 20 years and renovated the old house, which was also a subsidised activity. Keeping the cow became more difficult as one by one the villagers ended such activities and they could no longer get help from each other as before. So they slaughtered their cow and bought 40 chickens instead, for their meat and eggs. They grew their own potatoes and a pile of white cabbages could be seen in the hallway. Alexandra remarked that they could grow many things, even wheat, and furthermore, in the forest there were a lot of berries and mushrooms. Alexandra's daughter comes often with her own car to pick them for her family.

There are not many places to work in the village, but many people are employed as migrant workers. Alexandra and Egor believed there is work for those who want it. But some problems existed in people's attitudes as far as their own activity was concerned. Though they had been living in the village for 13 years they still felt like incomers. Keeping foster children, if they are not relatives, was a new phenomenon and they had heard some bitter comments about it. A neighbour seemed to think they had taken children only for the money or that they were feeding them like pigs. A female post officer had been openly unfriendly to the children, saying that they were made from bad seed and that their home was not a place for her children.

They felt that they had come to the village with new ideas, but they were not welcomed. People were hostile to entrepreneurs. Perhaps they were jealous because they succeeded rather well. However, they also had problems with money, for instance they could not use credit in local shops as many others did. Nevertheless, they felt they were living a good life and their own biological children had a good education. One of them was a forest entrepreneur, who wanted to start farming. However, there is no point in buying land when you can rent agricultural land for life. Why should one own land?

In 2013 and 2014 we heard about many foster families in Karelia, Archangelsk and Nizhny Novgorod region. People in smaller villages seem often to be willing to take foster children, it gives them work and the chance to continue living in these villages. In the same district as the first family, we also met Olga and Ivan. Ivan was in his second marriage, and his ex-wife and son lived in the same village. Olga was married for the first time and was over 20 years younger. She had

dreamed about a family, but was not able to have a child. So their foster family fulfilled her dream. They were the first family to take children in the village. Ivan had been an electrician as well as the last director of the local state farm. But the farm had been in great difficulties and directors from outside were making decisions on what would happen. He tried to struggle against the closure and even called the President, who had an 'open line' for citizens. All this had been in vain and just created difficulties, because the case was delegated from the President down to the hands of the same regional authorities who were behind the plan to close the farm in the first place. He had also been in a work-related accident and had a difficult struggle to get compensation from his employer. He seemed to have many enemies and as a safety measure he had a big wolfhound, which he kept on a chain when we crossed the garden (interview, foster parents, 2013).

Now Ivan was driving an ambulance and was already getting a pension, because he was 63. He was also building a new house in the garden, earmarked to be his son's house, who was living with his mother but spending a lot of time with them. Olga, who was a nurse by profession and used to work in a hospital, was now taking care of the foster children. This was her work, which provided her with a salary. They described the problems they had had in getting advice, because the childcare authorities were mainly interested in controlling the conditions they were living in and how they got help from the librarian (see the subsection above on 'The library'). The oldest girl had a heart defect and had had an operation while the youngest had retarded development and difficulties with learning to talk. She was periodically attending a special kindergarten in the municipality centre.

In another region, in a rural community only 30 kilometres from the district centre town, a foster family was building its home. Larissa and her husband had moved from a village near one of the Russian metropolises to a rural municipality in the Lopatino district, because they needed a bigger house for their family. They both had an earlier marriage behind them and they dreamed of a big family. And big it became. They contacted a children's home, got to know a girl whom they took first, then her sister and a friend of theirs. But their two-room apartment did not have enough space to take more children. So they moved 200 kilometres to the south where they were offered an old house without a heating system. They bought this big house for 35,000 roubles and took in more foster children and even, as a happy surprise for themselves, had their own child. During our first meeting they had nine children and the following year they took in another small girl and her brother as well. The older children participated in the housework and gardening and some of them were starting to grow out from the family already. When foster children turn 18 years old, they get a personal subsidy, while earlier subsidies, which have been saved for them, are activated. This should provide them with the chance to take up studies or even to buy a flat (interview, foster mother, 2013).

The foster father (interview, 2013) established a company to produce cement rings for wells and was also starting production with a small sawmill. He had a couple of workers, although it was not possible to find workers from the village. He summarised the situation thus: there are men who are able to work but they establish their own companies while the others only want to drink.

They had a big car and a lot of plans. The house had been enlarged – a new sauna (*banya*) and a garage were connected to the house. Their gardening plot was behind the house and they had some chickens and goats. He wanted to enlarge the farming area and was trying to buy land from the other side, beyond a small sandy road. It seemed to be a problem, however, because the land was owned by the region and, for some reason, they were not willing to sell this piece of land – it would be easier to buy it from the district than from the region, they considered. The village suffered from outmigration but there had also been some improvements in the last years. The shop had been shut down and the upper school closed, so the older pupils had to take a bus to another village. However, there was a new kindergarten building and a new small school for small children, and of course, their children were an important addition to the numbers of children in this rather small village.

A regional network of foster families in the region was set up in 2013 consisting of about 200 families. Larissa has been the chairwoman for the local group of five families. This informal organisation is more like a club than an NGO; it has meetings and they organise activities for families and try to help those in need, among other ways by keeping contact with sponsors and channelling their donations in cash or as other presents to the families in need. Some people in the club think they should express their needs to politicians in a stronger voice but Larissa did not seem to agree. She had participated in a regional competition for large families and had received an award. She had a picture of President Medvedev handing out the prize to her which was not just an honorary letter. Indeed, they also got a car. Because they had a car already, they were able to sell this car and invest the money in the sawmill. The car was in any case very important for the family, not only for transporting goods, but also, for instance, because they drove once a week with the children to the sports centre (FOK) for swimming. There the children and even Larissa have learnt to swim.

From children's homes to foster families

Irina lived in the same village as Egor, Alexandra, Olga and Ivan. It was also her home village and she had moved back after having retired. In her youth she had been a *Komsomol* leader. Most of her working life she had worked professionally in children's homes and at the end, in the 1990s, she worked for eight years as the director of a children's home. She remembered that some improvements had already been made at the end of the 1980s in children's homes. But in the 1990s there was lack of food and everything. One summer she decided to travel with some children to her home village for ten days so they could get enough food and fresh air. This was a group of mentally disabled children of pre-school age. She succeeded in finding sponsoring for the bus trip of almost a thousand kilometres. The following year she took the older children with her. They were living in the village as in a summer camp, growing vegetables around the house, and they loved it (interview, retired director of a children's home, 2014).

Irina preferred the method of keeping children in foster families, although she remarked that people were critical and some said such parents only took in

children to get money. The need for children's homes was extremely great in the 1990s when poverty increased and many family fathers and mothers were hit by unemployment and alcoholism to the point at which they were incapable of taking care of their children. Now the direction has changed.

In another region, the children's home in the urban village of Gagino is called a rehabilitation centre. Its aim is simply to house children for some time, trying to place them back home with their parents, or if that is impossible, to find a foster family for them. The centre has 35 children and 45 workers. They are trying to assess the situation in the child's home and to talk with parents. They are teaching children to sew, organise cultural events, set up an autumn festival, etc. They make trips to the forest and parks in a big town not too far away. Many boys play hockey and every second week they go swimming in the FOK. Quite a few children have parents who have also been in a children's home as a child: 'It is in the genes,' implied the director. The workers in the children's home received a low salary, 5,000–9,000 roubles (120–220 euros in 2013). As in many other children's homes, the rehabilitation centre needed support from the private sector. They tried to find charitable funds from Moscow to support them. One friend of a nurse working in the centre gave 50,000 roubles for them. They bought a cabinet. The villagers have helped them by giving toys, furniture, presents for New Year and timber material. The municipality administration helps in organising transport (interview, director of a rehabilitation centre, 2014).

In Dybrovo near the city, a children's home had 65 children in 1997 but sixteen years later only 28.¹⁵ There were 32 staff who were mainly educators and medical workers. They also had their own bus driver, an electrician, and a psychologist. Most of them worked part-time, combining this work with other work, for example in the local school. One educator accompanied the children to the school. Only four children did not have parents, while the parents of the rest had alcohol problems (interview, director of a children's home, 2013).

The Dybrovo children's home used to be a hospital. Now there was much more space than earlier. Girls and boys were in different buildings. They had a room for playing in and one for a library as well as a garden for growing vegetables. Their funding was weak, but they took care of what was necessary, and children got fruit and milk every day. Children over 14 were allowed to work to get some money, for instance to clean roads for the 9th of May (Victory Day). They could then use the money for a mobile phone or for clothes. Students sometimes visited the children's home, and the governor gave support, for instance for the library and for buying furniture or sports equipment. Also they described how they had good luck in finding a sponsor. He had seen them playing in a park and started to ask who they were and then wanted to sponsor some activity for them. He was the director of a big company. The company started to support them in many ways: travel, parties, clothes, summer camps, rubber boots, pens, etc. Unfortunately the director was prosecuted for some crime and he disappeared; however, the company continued to support them.

Children had their own bank accounts, in which they received social pension payments and possibly payments from parents. The director of the home decided

how to manage this money. Children who do not have parents have the right to get a flat when they reach 18, but sometimes they inherit a flat from their parents which is rented out. In that case the child even gets the rent in her/his account. The idea is that a child should have money when he or she leaves the children's home. When the parents have an alcohol problem, there is the danger that the child's savings will disappear. That would mean the child returning to poverty after the time at the children's home. Afterwards we were wondering whether there was any safeguard against inflation in these accounts.¹⁶

There are several steps involved in taking a child from his or her family, starting with alarming the tutor, controlling the situation, warnings and, in the end, moving children to a hospital and then to a children's home. A lot certainly depends on local social workers and municipal authorities. The problem can be under-nutrition which a social worker may remark on: nobody is taking care of food, hygiene, etc. If a father is drinking, things may be clearer, but if the mother has the same problem, the situation is really a cause for concern. A hospital visit is needed to study the health of the child, and to provide balanced nutrition so that he or she physically recovers before going to a children's home. Once in the children's home, the mother still has a chance to get her child back, but then the family is monitored. In a normal case the monitoring lasts for six months. A mother has to prove that she has stopped drinking and the home is kept tidy. Paradoxically, mothers who have been to prison may be more successful than those who have been drinking. When returning from prison, mothers get a lot of support (Sätre 2014b).

A child can also visit a children's home but only in the summer time, or move to a foster family. In order to find a foster family, the child can write an announcement and a letter on their own. Also the directors in children's homes try to find foster families because this is included in the government programme. If they find one, they get paid extra by the government. Gender balance is a problem: mostly girls are wanted as foster children and as a consequence, for example in the Rebriknii home, 20 of 28 children were boys. After their period in the children's home is over, the director keeps in contact with the children, and quite a few of them drop by to visit now and then.

Reflections

To combat poverty

In this chapter, poverty has been studied with the help of interviews of people in certain key professions such as social pedagogues¹⁷ at schools and doctor's assistants, but also with those who in their professional capacity work closely with problem families and assist the poor in other ways. Interviews were conducted with directors of children's homes, rehabilitation centres, schools, etc. to get information about policies.¹⁸ The interviews reflect how social workers, social pedagogues, teachers, doctors, deputies of commissions or local village councils, local politicians and others have tried to help people take part in state programmes and become classified as entitled to support in one way or another.

It has become clear that the Russian government has implemented social policies which have given people the opportunity to improve their own life situations. Such policies dealt with poverty issues through the development of welfare and improving life conditions in a general sense, but were often directed towards certain groups: youngsters, families with many children, etc. Consequently, actors in the social sphere on the one hand tried to find resources to cope with everyday problems of poverty, while on the other hand attempting to construct strategies to reach more satisfying futures and to find ways for participating in state programmes, among other things.

Interviewees talk about using land in order to produce food for their own consumption and also as a building site for their own house. This relates to the state programme on 'mother's capital' or other grants from the National Priority Programmes and entails a capacity for manual work. But it is also about using rights to unemployment and other benefits. Some respondents mentioned as the most valuable resource 'a good working family and a husband who does not drink'. However, many respondents also indicated that it is not enough to be active, some of the poorer families are not able to break out of vicious circles even if they work more and more. They try continuously to reduce expenses just to cope, and they are particularly vulnerable to any changes. Interviews reveal that families living on the edge of poverty do not have the time or energy for long-term strategies. This highlights the need for supporting structures. The supporting role of public authorities is especially important when considering the chances of poor people taking action themselves.

The fact that some people are able to break out of poverty (by their own actions) makes it important to study what strategies they have used. This tells us something about the effects of reforms and the mechanisms and consequences of social change. To analyse strategies of change means to focus on agency, to take a look at how people challenge existing norms in order to transform the social space where action takes place, and where agency affects societal development. On the other hand, coping behaviour should be associated with acting within a given pattern, adapting behaviour to existing circumstances and norms, even preventing societal changes. This can also explain some processes leading to the continuation of poverty: how and why processes of poverty are started, where and how they are leading to relatively permanent patterns of poverty and the reproduction of such patterns, and when it is possible to break out of such vicious circles.

Although social policy in part continues to be financed by the state, it is organised in a new way. It is indicated that women who are responsible for social welfare have to find sponsors by themselves for their regular activities. Being responsible for organising social welfare, women working in the social sphere have created their own support networks for this. They use relations to create resources. Their agenda might be unclear, but it is distinctly larger than the directives they are subject to from above. They are actively working to increase available resources, for example by applying for projects, striving to participate in state programmes and encouraging charity. This means, in addition, that solutions are likely to be more heterogeneous than before.

For example, longitudinal interviews of successful women provide information on how women continue to take responsibility for social welfare, how they react and the efforts they make.

On poverty

Poverty is a problematic concept to define and consequently to solve. Measuring poverty with objective definitions suggests some minimum income combined with other possible measures. However, the level of needs varies according to individuals' way of life, as well as their non-monetary incomes, social relations and other factors. Measuring poverty in subjective ways is also a questionable method because, as Sen (1999) argues, people in subordinate positions often lower their expectations to fit with what is available to them. And as Andrew Sayer has added, happiness or utility are not the only important criteria: justice and positive freedoms are important too (Sayer 2011: 233). Another way to define poverty is the capabilities approach (Nussbaum 2000; Sen 1999; Sayer 2011: 233–4). 'Capability refers to the ability of people to achieve a given functioning, should they choose it' (ibid.: 234). From this point of view – which is the one adopted in this work – poverty is 'capability deprivation, or the inability to achieve a collection of functionings'.¹⁹ In other connections, Sen clarifies his position and takes up the three specific assets which have been the clue while writing this book: resources, rights and relations.

However, poverty is officially defined as an absolute 'subsistence minimum' based on the price of a basket of goods which is assumed to cover basic needs. But informal talks give us the impression that it is far too low to provide a decent variety of food, but would instead be barely enough to buy sufficient quantities of pasta to keep hunger at bay. According to the resulting national poverty lines, while in the early 1990s on average a third of the Russian population was considered to be poor, poverty rates then started to decrease. In 2007–13 poverty rates in Russia have remained rather stable at 11–12 per cent. This is partly due to the indexation of poverty lines for inflation, but does highlight that a section of the population lives in entrenched, chronic poverty. Poverty is generally 'shallow' in that significant proportions of the population live on incomes just above or below the poverty line, making their material well-being and poverty statistics very sensible to economic fluctuations.

Notes

1. Those who in Russian are said to use the *vakhtovyi metod*, meaning migration work, where work is periodical and takes place far from home, often in Moscow or other large cities, on oil and gas fields in the North or in the forests.
2. According to official figures, the rural share of the unemployed has increased from 16 per cent in 1992 to 41 per cent in 2006–7 (*Rossiia v tsifrakh* 2008: 103).
3. Unemployment, although a distinctly post-1991 phenomenon, has conversely not been a significant problem. Indeed, Russia noted a low rate of unemployment at 5.3 per cent in 2014 and just slightly higher in the first half of 2015 (Rosstat 2015).

4. See further Adachi (2006) for the importance of informal ways of ‘getting things done’ in the business sector during the transformation of firms in post-Soviet Russia.
5. According to Wengle and Rasell (2008: 741), in 2002–3 the value of in-kind benefits represented 10–15 per cent of the income of poor households, while the figure is likely to have been much higher in the 1990s. See Lazareva (2009: 9–32) on the procedures for transferring assets from firms to municipalities, and also on the joint usage and financing of transferred assets.
6. As National Priority Programmes are often called.
7. On ‘mother’s capital’ (also referred to as maternity (family) capital), see Chapter 3, note 12.
8. See Chapter 6.
9. According to official figures, the accumulated assets of the Stabilisation Fund were more than twenty times higher in 2007 than 2004 (*Rossiia v tsifrah* 2008: 33). The fund, which was established in 2004, was split into a Reserve Fund and a National Welfare Fund in 2008.
10. The house arranges cultural activities for children, and those who live far away can stay there overnight.
11. The exchange rate of the rouble was relatively stable from early 2009 to the end of 2013, when the price of one euro moved between 40 and 45 roubles.
12. *Territorial’noe Obshchestvennoe Samoupravlenie* – see Chapters 1 and 6.
13. This concept refers to continuity from the Soviet time to post-Soviet Russia, the transferred feeling of responsibility for others in the community among some strong women.
14. FOK (*Fizikurno-Ozdovitelnyi Kompleks*), which could be translated into ‘sports-wellness centre’.
15. In 2016 it was already closed.
16. Such information was not given to us; however, the risk is obvious because the accounts are the responsibility of the director of the children’s home and it is up to her decisions how the real value of the children’s savings develop.
17. Social pedagogues are the teachers at school who know about the life circumstances of families.
18. We have focused here on the agency of women who are working professionally in the social sphere. Referring to Amartya Sen’s framework of capabilities, we have drawn attention to whether they contributed to increasing the resources, rights or relations of the poor, as well as to distinguishing their roles of empowering the poor from their controlling roles.
19. Sen is unwilling to propose any particular list of capabilities as necessary for well-being. Nussbaum, instead, in 2006 does give such a list (Sayer 2011: 235).

6 Coping, agency and development

‘This is a Russian tradition, when we have a law that is implemented. People start to think – not how to follow the law, but – how to go around it. Yes, there’s nothing you can do about it. It’s psychology in our deep sub-consciousness.’

(Mayor, small town, 2014)

Normally our visits started at the municipal office with a meeting with the mayor, who always wanted to know who the strangers were visiting his (for mostly he is the mayor, she might be vice-mayor) district. Then he opened the gate to his district to conduct more interviews. This time we were in the administration of a rural district, and wanted to meet the mayor there. The year was 2003 and it was still difficult to find comfortable accommodation even on our modest scale. There was a guest house but it was not recommended by the locals, therefore we stayed in the regional capital and drove to and from every day. When walking around the village we found another guest house in a private home, kept by a local woman, in which lorry drivers used to stay overnight. But there were no separate rooms.

We met the mayor Sergei and an officer, Anton (interview, 2002), in the administration building. The mayor had other duties so for most of the time Anton was alone and told us about the region and its recent history. He described the previous decade, the 1990s, in strong terms: villages in the countryside were ‘totally deserted in every aspect, few things are left now’. Anton described the humanitarian aid given to this rural district in the 1990s. It came from private people in twin towns in Finland and Sweden, and from the Red Cross, Rotary clubs and religious communities in Finland. He had calculated the amount of aid: it was 20,000–30,000 tons a year of different products: clothes, used footwear, food, equipment for schools, sportswear, furniture, etc. Clothes and footwear could be imported without problems but food, furniture, washing machines and similar things needed official approval, and to get the needed documents one had to make an expensive trip to Moscow. Because of these difficulties, the donors started to bring money and to buy the needed goods from the Russian side of the border. This kind of help reached, in one way or another, about half of the population in the region.

Another type of humanitarian assistance was given to victims of fire accidents. An old panel house burned down in the forest village of Priozersk and 21 people

lost their home. A letter was sent to the twin town in Finland. After some days help arrived, including crockery, footwear and clothing. Later on a new fire took place again in Priozersk and people in the twin town were again very helpful. In May 1998 there was a fire in Zharki and about 50 people lost their homes. This time help was brought by a priest from Finland. He had been very active bringing humanitarian aid regularly in the form of products, conducting courses for the unemployed and organising summer holidays for pensioners and children from this region. Religious communities had in general been active in giving humanitarian aid and also helping to construct new churches. In the district centre the new church was donated mostly by a local entrepreneur, while a farmers' association donated the clock and the Finnish Orthodox Church gave 600 kg of varnish and paint for it. To transport these donations across the border was problematic from time to time so to bring the varnish into Russia without complications a tourist group was asked to help. The paint was divided among the members of this group, one bucket of paint for each. This was how it was transported across the border. The church was consecrated in October 2001.

It was very helpful that someone reacted to such accidents and urgent needs. Villagers could experience many hardships in these difficult times. Some contacts were formed, however, which aimed at finding longer-term solutions. Being near to the border, the municipality established contacts with Finland, Sweden and Norway, and twin-town contracts were made. Also, several projects were run on a regional basis. There was cross-border funding from the EU's TACIS-programmes: they concerned nature preservation activities with Northern Karelia in Finland, as well as a project on clean drinking water. The district also joined the Nordic initiative 'Blå vägen'.¹ Contacts in Norway suggested an idea to produce biofuel while Finnish partners from Oulu assisted in building a boiler which made use of wooden chips to produce electricity.²

A pilot project with Swedish partners was important, as noted by Anton. It had been funded since 1997 by SIDA,³ and concerned non-agrarian development of the countryside. The objective was to revive villages, create new jobs with the use of the skills, abilities and traditions of the local population, including handicrafts, culture and sports. During the project 14 groups were formed to support different local activities. At this point of the discussion, the mayor had arrived and mentioned that this activity resulted in trade fairs of handicrafts and art products among others. Anton wanted to underline that the project improved the situation in the villages: 'It creates a totally new atmosphere in the region and stimulates further successful development of the countryside.' He described the visits from Västerbotten in Sweden to Russia and vice versa, how a regional folk music group gave concerts in Sweden and Finland, and how local pensioners started relearning the English language which they had studied at school, then had forgotten it and now felt that they needed it to be able to market their products. This project seemed to have had a meaningful local effect, increasing the self-confidence of the local population and spurring local initiatives. We got more information about it later from many interviewees both here and in the neighbouring districts.

Some other contacts facilitated changes in the region. A local entrepreneur had contacts with a Finnish entrepreneur, the Hunting Tourism Centre conducted negotiations with Swedish hunters and there were several training visits, for instance a German language teacher and a furniture craftsman from the village visited Sweden for training. The mayor said to Anton that they had passed the ‘tea-drinking’ stage in the relationship and were starting to work on economic activity. Anton was also satisfied with what was going on. He stated that local development was a hot issue all over the region and a lot was being done – there were projects to build tourism infrastructure and to support senior citizens – but in other regions they were not as efficient and successful as in this one.

At that time, construction was not very visible in the village. However, there were some exceptions. The guesthouse owner had a worker building an extension to her house. Another exception was the new Orthodox Church. The third humble sign of change was a small tourist information kiosk by the house of culture, which was run by a new tourist entrepreneur living in a smaller village in the neighbourhood.

From frozen society to development efforts

After rapid political change and collapsing economic structures in the early 1990s, the countryside’s old local strongholds, the *sovkhoses*, were on the edge of bankruptcy and local administrations tried to continue their formal routines with minimal funding. In smaller villages, buildings were not renovated or roads reconstructed. When asked twenty years after the system change about the reasons for this situation, passivity was recognised by many interviewees to be widespread in the countryside. Some answers gave as the reason a ‘kolkhoz mentality’ while others suggested a ‘consumer mentality’.⁴ A male teacher connected passivity with age: while the older generation was used to working collectively according to orders and instructions, the younger generation was business oriented and willing to claim benefits for themselves from what they did. Therefore, he thought, they could be moved to work if they had motivation to do so. On the other hand, another male teacher in a neighbouring community thought that the Russian government itself did not want a lot of people to be proactive. ‘Perhaps it is also a kind of historical process. I think we are only on the way to a civil society [laughter]’ (interviews, two male teachers, 2012).

These judgements were given in the beginning of the 2010s, at a time when one could already find indicators of positive changes. For instance, funding by non-governmental sponsors was growing; local administrations had been reorganised after 2006 and their budgets were increasing; furthermore, federal programmes offered additional funds that could be applied for in order to meet social and economic needs. Did such factors also launch a process of improvement? Or were they just separate attempts to solve the most urgent problems while leading to nothing else? To answer this question one has to bear in mind that development is successful only if it is connected to changes in people’s minds.

Heritage of socialism

The socialist economic system has disappeared but not without leaving some traces. The socialist planned economy gave high priority to some branches, which were given resources, in practice, more or less without restrictions. They were in heavy industry, the military industry and the energy sector. The budgets in these branches were called ‘soft budgets’ (Kornai 1980). Being of high priority, they could run activities beyond their budgets. Many of the non-priority branches were working with consumer commodities and services. They had to solve difficult situations of limited resources in a country without markets. After all the changes, the energy sector remained a high priority in Russia, being the most important export industry and the main source for the state budget. Also military technology has a similar role as in the Soviet period. As mentioned earlier, the differences between priority and non-priority industries seem to have continued after socialism (Davis 1988, 1989; Ericson 2009; Gaddy 2007; Sätre 1994). Today, the livelihoods of most localities are based on earlier non-priority industries. In northern and central parts of Russia, more than elsewhere, life is based on forestry, that is timber harvesting companies, sawmills and the building of timber houses. Shopkeeping, small kiosks here and there, and car repair services are taken care of by private entrepreneurs, continuing the activities of the state companies and cooperatives of socialist times. Even in small places various consumer services have been established, from taxi driving to hair salons and massage. Restaurants and tourist accommodation are slowly emerging in small towns and the countryside, which were not targets for tourism in socialist times – they were mostly forbidden places for foreigners, at least.

After socialism, radical institutional reform took place, while industries and state farms were moved into private hands. As North (1990) has remarked, institutional changes are, however, uneven. While formal institutions are changed by legislation and government order, other institutions remain untouched. These are often informal institutions which are based on norms and values. During the system change they stay alive, putting up resistance and complicating the overall changes. One example is the *blat* system in the post-socialist years.⁵ Examples of such institutions in Russia are found in the emergence of female entrepreneurship, in the continuance of the paternalist rule of state power at different levels, in the way charity networks are organised or, on a family level, in the tradition of household gardening.

Paternalist rule refers to the tradition of strong leaders wielding much power over each individual citizen and in relation to elected or nominated collective ruling organisations. Russian local society is an object of the decisions of the centralised state, and the planning system never left much room for anything other than top-down planning, a ‘power vertical’ under the control of authorities (Gelman 2011). Paternalist features are part of a cultural heritage dating back from much older times than socialism. Russian historian Richard Pipes (1974) presented the thesis on patrimonialism in Russia, following the classical ideas of Max Weber (Gerner 2011: 38; Weber [1921–22] 1978). When traditions are old, it is really difficult to change them.

The Soviet consumer sector was definitely a non-priority area of the state economy, and precisely therefore it was necessary for Soviet citizens themselves to solve how to get the consumer goods they needed. Such a situation stimulated aspects of entrepreneurship to be developed inside family and friendship networks, which could be passed on to post-socialist times, giving birth to new enterprise structures, first in the grey economy and later also as officially registered companies, often female entrepreneurs, whose mothers had needed to solve deficiencies in socialist times (Sätre 2001).

A practical consequence of the non-priority position of the consumer sector combined with the centralised structure of society was that local people often experienced shortages in their basic material needs. For this reason, local populations have from time to time needed to concentrate on coping, to act locally to solve urgent problems of livelihood. On the other hand, formal civic organisations were under pressure in Russia for long periods of history – before, during and after socialism – and therefore voluntary cooperation and networking was and still is based less on formal associations and more on personal relations than in Western Europe.

Light in the tunnel?

The first decade after transition was simply a catastrophe for the whole country. During this decade, Soviet property was redistributed into the hands of a few individuals. Naturally, in most places, some residents got a better house or a larger piece of privatised agricultural property than others – a tractor, a sewing machine, an administrative building – or succeeded in establishing a local company or large farm.

After socialism life in Russian villages and small towns was characterised by decreasing numbers of workplaces, low salaries, outmigration of the younger generation and dilapidated buildings and infrastructure. The government subsidies to rural areas had almost totally dried up and local authorities had no resources to support them. Only a few civic associations could be found at the local level, women's councils being the most remarkable exception, and only a few individuals were socially active. A feeling of being an outsider and having no interest in politics describes well many residents in the 'other' Russia at that time. They were left outside of the benefits of transition, working in low-priority sectors and having to adapt themselves to the side effects of the transition process.

Since the 2000s some positive signals could be noticed by visitors. One of the preconditions for these was the reform of local governance, implemented from 2006 onwards (see Chapter 3). Another was the set of state programmes which provided funding for changes at the local level. During the field trips after 2010 we recognised the large variance among different local districts and villages. In some administrations, activity was rather low, while other administrations were trying to take part in as many programmes as possible. A local head in one

forest-rich district neglected to take part in projects offered for his villages to start new enterprises, because he had another strategy, centred on forest-based activities: logging, sawmills, etc. His municipality was not developing a lot, many activities were closed, local forest entrepreneurs were losing auctions on forest logging rights and the population was decreasing. In 2013 he was afraid of the municipality losing its status in the near future. Yet in a neighbouring district the situation was totally different.

Coping or agency

Both coping and agency can take place either individually or in a group. It can take place with or without state involvement. The data collected shows three main types of action which local people take, each type with different consequences for their personal well-being and for local development. The two main types of action are coping and strategic agency. In principle, coping is a reaction to everyday difficulties, the consequences of poverty, by low-income people who are trying to overcome their daily difficulties but have no prospect of escaping their situation. Agency refers here to activity which is at least trying to find a permanent solution for daily problems, to raise incomes or otherwise reach a better standard of life. In Table 6.1 a third possibility is also marked, which contributes but does not give a direct solution to the actors' situation. 'Facilitative' communication and cooperation refers to action, which produces social capital, or which at least creates favourable circumstances for producing it. This type of 'facilitative action' may increase future opportunities for strategic agency. Taking an example from infrastructure, when a village community builds a cultural club, the inhabitants get a public space⁶ where they can meet each other, communicate and get advice from each other for individual efforts, as well as an opportunity to work together to plan some joint initiative to improve their lives. The same space might be used to arrange training courses to assist some of them to find ways out of poverty.

For individuals, the most common strategies of agency are studying, starting a business and changing work. Studying is typically a next-generation plan: parents

Table 6.1 Examples of different types of action in the 'other' Russia in the 2010s*

<i>With whom?</i>	<i>Coping</i>	<i>Facilitative action</i>	<i>Strategic agency</i>
<i>Individually and with family</i>	Economising, taking extra job, plot farming	Training courses	Education, entrepreneurship, migration work
<i>Informal groups and voluntary organisations</i>	Borrowing from neighbours	Foster family club, house of culture	Business club
<i>State</i>	Support from social worker, children's benefit	TOS, building a village house	Programme for young specialists, foster family programme

* An earlier version of this table was presented in Granberg and Sätre (2015: 68).

and grandparents in Russia often do a lot to arrange a study opportunity for their children and grandchildren. Establishing companies has been difficult, but not impossible, for some individuals. When successful, it puts an end to the family's poverty. Changing work to some of the high-priority industries makes a difference to salaries, because most Russian salaries are low but in Moscow or on the oil fields one can earn much more (Kuznetsov *et al.* 2011).

In a family on the outskirts of a regional capital, a woman, Antonina, had been going to a school for mentally retarded children as a child. Her brother had also been studying there and now her daughter was going to the same school. Her brother was epileptic. Their mother was dead and the father had left the family without keeping in contact with them. The house was in bad condition. One reason for going to this particular school was that there was free food. Whether there were other reasons was not clear. The epileptic brother, Evgeny, received no help from the authorities, he was no longer in the job market even though he did some small-scale work to get additional income. They did not expect to get any help nor could they apply for anything. Antonina had a job in a restaurant with a low salary. The future was more worrying than promising anything better. Antonina's daughter was soon going to turn 18 and would thus lose the child benefit, and Antonina's employer was threatening to dismiss her. They would then have to find some new way to survive. They are but one example of those who are coping in difficult circumstances.

When Vladimir left the children's home at the age of 18, he did not know how to take care of his personal needs or how to use money. He had, however, at some moment recognised that he had to help himself – no one else would do it for him. He had learnt that education was important and managed to get two different university degrees. Life had also taught him many other things. He had three sons and he was a deputy and had a job at a veterans' association. He could sew clothes with a sewing machine, do accounting using a computer, and help people with paperwork, for instance with applications to authorities. He had a large library and loaned books to his friends. Everything that had happened to reach this level was difficult to describe, but in the end he was a survivor, a person who succeeded in acting in a strategic way to change his and his children's circumstances. He was not rich but he had learnt to get along, to save, to control his consumption and to do work which would give him at least a small income as long as he was able to work.

Who is poor? If Ivan were asked whether he was poor, he would not admit it, because he and his wife got along, they had food, a house, a car, they offered cake and honey for visitors. They worked with their hands and used their heads to get along. However, they would be defined as poor on most objective measuring scales. In Russia it has been common to be poor since *perestroika*. Almost everyone witnessed poverty among their relatives or in their close neighbourhoods, even if they avoided becoming poor themselves. Poverty was common and during transition it was legitimate to be poor because the socialist economy collapsed and there were as yet no markets (Sätre 2014b: 266). Margarita was a teacher but salaries were low so she made attempts to earn some extra income by

selling oranges – not in her home community, as it was not accepted by local norms, but in another town. She could have stayed as a teacher, living with a small income and waiting for better times, but she did not do so, and when she succeeded in business, she left her job as a teacher.

Later on, things got better in Russia. Increased pensions were paid on time, salaries were also paid and there was work again for almost everyone. However, salaries were low with the exception of some prioritised industries – gas and oil fields above all. Poverty became unpopular, even unaccepted. Alla Varyzgina and Rebecca Kay (2014: 272–3) studied the perceptions of poverty in a small town in the Nizhny Novgorod region. When the official ‘poverty line’ or ‘subsistence minimum’ was defined to be about 5,600 roubles for a working person, such a line was not generally adopted by local inhabitants. They had, instead, four different types of narratives on poverty:

- poverty as lowered consumption, deprivation;
- poverty as misfortune;
- poverty as a disease and a source of danger to society;
- poverty as stigma.

As the authors state: ‘The first two are relatively objective and non-judgemental, the second two are much more subjective and introduce moralising discourses and value judgements to discussions of poverty as pathological and socially threatening.’ In interviews, when asking who was poor, often only a very few were pointed out to be so. If you were willing to work, you could have a garden and you could at least get food from that garden, and in most villages and towns there were opportunities for work, you only needed to accept work with a low salary and perhaps not very good working conditions. Therefore the reason for poverty could be just personal (drinking) or it could be misfortune (illness, accident). However, when asking about the social characteristics of those people experiencing poverty, the interviewees gave a long list of different positions to which many ordinary people belong: ‘families with many children, young families, single-parent families, problem families, families registered with social services, the elderly, pensioners, the unemployed, the homeless, the alcoholic’. This list shows that large segments of the ordinary population are poor or at least are in danger of poverty, i.e. at the edge of becoming poor, and therefore need to cope in one way or another to get along today and tomorrow.

Entrepreneurs and farmers

There are different kinds of actors: organisations, individuals, business companies. But when looking at an ordinary person who is poor, he or she has to act in one way or other in order to survive. The type of action he or she selects may be coping with everyday problems, aiming to survive from one day to another, or it may be strategic agency, to change the person’s situation for the better in a qualitative sense (see Table 6.1).

Business gives opportunities to raise one's well-being more than other activities. Sometimes it is small-scale, as it was for Ivan, the former tractor driver of a *sovkhoz* (see Chapter 2). He had acquired some bees from someone who came to the village and offered such an opportunity. Ivan took the chance and he had recently started his business. We tasted the honey and it was what it should be, good and tasty. He had another activity, making things out of birch bark: boxes, shoes, caps. His wife made some decorations on them and they were skilful. There were quite a lot stored in the hall and under the sofa. We bought several pieces. It is, however, difficult to think that Ivan would become rich with these products. They are a way of getting some additional money to live better, to be able to buy something necessary or some nice extra things for his home or relatives, or perhaps petrol for the car. He was trying to construct a strategy to raise his and his wife's small incomes. Earlier he had made a bigger effort, when he bought cows and tried to start a farm. Had it succeeded, he would have increased his family's living standard. He also might have been an example for other villagers, influencing local life that way. But it did not succeed and now he was trying another strategy which would perhaps fit better the situation as he was getting old.

Margarita instead was able to do much more: she succeeded in collecting capital with simple trade efforts, buying and selling oranges, pasta and a lot of other things. And she invested capital to start some small shops and finally the local hotel with a restaurant. This all gave her a sufficient stream of income. She certainly had no one-and-final strategy ready when she started; rather she went forward step by step, reacted in a reflective way to difficulties and could spot the opportunities. This brought her better well-being, as well as contributing to the well-being of quite a few others. She recruited workers for the hotel mostly from an industrial village outside the town where the hotel was located, and some of her workers came from the children's home. In that way well-being was distributed to people with meagre preconditions to find good jobs. The hotel's restaurant became a place for many local celebrations. It contributed to local development in the small town and also in the village where the industrial plant was closed and increasing unemployment could be mitigated by her recruiting. Margarita's action can be called strategic agency.

Another opportunity was starting private small-scale farming with the vouchers that *sovkhoz* workers received during privatisation. There were not many who did so in Northern or Central Russia. Ivan tried, but did not succeed, although in the same village another family managed to succeed but on a smaller scale.⁷ In the years after 2000, when the *sovkhoz* was closed, many villagers still had animals and everyone had some sort of garden but later, one by one, they stopped keeping animals, even though they continued to grow potatoes, other vegetables and berries for their own use. One family, however, increased their number of cows which produced sour milk (*smetana*). The milk and sour milk were transported by car to their contact people in two towns. Villagers could buy their products, too. The reason for increasing animal husbandry lay in family circumstances: their daughter had a child, who the grandmother took care of for some

years in order to give her daughter the opportunity to study. Thus more food and additional income were needed.

The family also mediated between the town and the village in other ways: they transported berries and mushrooms collected by the villagers to town by car. The strategy of this family was a combination of actions, which gave them a reasonable income and well-being in the transitional period of society and a solution to their specific problem – the daughter's education – with the help of additional food products from cattle, income from selling them and a fee for transporting berries and mushrooms to the market.

Another successful farmer, Nikolai, had started a larger farm of some 85 hectares. He had collected together from his parents, brothers and wife all the vouchers that his family members had received when the *sovkhos* had been closed. They were able to get a good piece of land and rented some more. One brother helped him and his wife worked with the cows. Others in this village did not take up this opportunity and therefore a lot of farm land was uncultivated. Just like the previous farmer, he produced milk and transported it by car to a few buyers. Nikolai had received a subsidy for investments, but was not happy about the funding as it brought a lot of responsibilities and reporting. The work on the farm was hard, but he was used to working hard since his childhood and did not feel uncomfortable with it. The family had succeeded in financing the education of their two daughters, and they had no wish for their children to continue farming. The daughters were, in any case, in a somewhat better material position than the daughter of the previous farmer, who did not own any agricultural land but just used the state-owned land to make hay. Nikolai's family instead owned land property, which was located not far from a small town, and which probably would have some value in the future when it was inherited by the children.

When a company or a farm is successful, it marks an end to poverty. Changing one's job is another strategy, although the Russian labour market still follows the old Soviet track of relatively safe jobs and low salaries (Kuznetsov *et al.* 2011). In priority industries and in Moscow or other metropolises much higher salaries are possible which makes the *vakhtovy metod*, periodical high-salary work far away from home, a common method of raising material living standards. State programmes can be used for agency by teachers and doctors among others, who can get generous assistance towards arranging housing in rural settlements and small towns after their academic studies. Then there is the option of becoming a foster family. The third direction of strategic agency is networking and cooperation.

In-between coping and agency

When people are coping, they often turn to their nearest family and relatives to get help. And when acting in a strategic way, they can search for societies and associations which may help them plan or start their activity, for instance a local business club. Here our interest is, however, in actions which are not supposed to have any direct effect on a participant's well-being. They are actions which are

carried out on a voluntary basis and which may increase future opportunities for strategic agency.

In a cross-border project, the Ladoga Initiative (2011–13), several local initiatives aimed to create better circumstances for communication, directly and indirectly. One effort was to renovate an old bath-house into a house of culture, including a small library, a room for children, a gym, a sports hall and a larger room for various purposes. In another village the house of culture was renovated, while in a more peripheral village a new sauna was built where the old one had burned down. Children's playgrounds received a lot of attention, and six new playgrounds were built. Playgrounds are for children, but they are also outdoor meeting places for parents who talk with each other while looking after their children. Similar places were sports centres which were built or renovated, including an ice-hockey arena, a running track, a gym, and a sports arena for small children. We also found a mushrooming of such activities in Archangelsk where TOSs have been formed with government support. One aspect of them had practical aims to build infrastructure (roads, underground canalisation) between neighbours, but quite a few were directed at establishing public spaces, and public events having the same communicative function – even if only as one-time events.

In these examples communicating with and getting to know your neighbours in the village is facilitated by public space which is open for anybody willing to come. Building children's playgrounds, sports arenas or club houses is building public space for local inhabitants to meet each other, to communicate face to face and to organise joint meetings or other activities which offer opportunities for getting information and learning through discussions. Such communication may lead to someone in need of advice getting help from other villagers. This may be the reason for individual efforts, or an opportunity to plan together some joint effort with another villager. Doing projects together is one thing which may lead to positive psychological effects, empowerment of participants, increasing self-confidence and increasing mutual trust. The established space may allow these feelings to be strengthened. In practice, if the space is a house of culture or a club building, it can be used to arrange training courses which might help some of the participants to find a step towards additional income and better well-being.

In a general sense, public space is a step towards the development of civil society. It opens up an opportunity for increased communication and mutual trust and for establishing more permanent forms of associations, for instance parents' clubs, sports societies, local charity funds and other non-governmental organisations. Such a process is not automatic, however, because of the hindrances along the way, because unsuccessful steps may cancel positive effects and because everything is dependent on those who are participating and many surprises are possible, both positive and negative. We take a look here at only one problematic case, the level of voluntarism in cooperative activities. Russia has a tradition of *subotniki*, that is voluntary work on Saturdays, which in fact was not voluntary, even if not paid for. When local people become organised for voluntary work, one

may ask whether they are true volunteers or whether they are taking part because of normative obligations inherited from the Soviet era. Such obligations have consequences for those who do not follow them.

Acting with the state

When conducting research in a mono-town⁸ Sätre *et al.* (2014: 311) found that the most widespread ‘strategy’ was non-mobility, what they called coping with the use of the family’s own resources. Such individual actions aim at cutting down expenses on food, clothing and leisure. However, these measures have their limits and families often have to try to get more income in some way. Changing jobs or taking an extra job is a common way of coping, which reflects the situation in the Russian labour market: a lot of work is offered, but often this work is low-paid and does not cover the needs of consumption. Expanding the existing plot farming is also common. In critical times in the countryside and small towns, all who were physically able to work participated in plot farming and people often had some animals – if not cows, then hens or goats. Later, keeping animals decreased but growing potatoes and other basic foodstuff continued. Still, only a few enlarged their production to a commercial activity. If these kinds of individual ways of reacting to poverty are not sufficient, then getting help from relatives and friends can be tried. But again, there are limits if relatives are poor as well, and friends have their own needs, too. The third type of coping is to apply for support from the state, for instance from local social workers. This possibility is quite new, because it is on a larger scale only possible after the monetisation of social benefits in Russia, which converted in-kind benefits into cash allowances in 2005 (Kravchenko 2008; Sätre *et al.* 2014: 309). There is quite a variety of different benefits one can apply for from the state, and people are doing so. Also trade unions may offer some benefits in the form of sanatorium vouchers or special help with repairs (*ibid.*: 318).

The Russian state has not been for in supporting people to organise the autonomous civic society and the legislation on foreign agents has given an image of a hostile position towards civic activity. This is, however, a contradictory field, because on the other hand state authorities have acknowledged the need for social organising to solve various problems at the local level. Also, the state’s National Priority Programmes include support for local initiatives.

The TOS system⁹ in the Archangelsk region is a form of support for local informal groups to implement small-scale initiatives. The impetus for it came from a deputy in the regional parliament. In order to organise and coordinate this activity, the division of work in the regional government was renewed. Via this programme hundreds of local teams were organised, and as expressed by some of the activists and representatives of authorities that were interviewed, the need to change to more formal, registered and long-term work is obvious. The TOS is a social movement. It expresses the interests of local people working together to make their lives better, both materially and socially. TOSs are also working in other places, for example in the city of Kirov where, among others, inhabitants’

associations have used the TOS as a platform for cooperation to carry out needed renovations in their living area (Shagalov 2015). The Ladoga Initiative¹⁰ verified that there was high local interest to cooperate for common goals. The problem was not in finding active people to plan a project and to volunteer to implement these plans; rather the problems were practical because informal groups had no right to have bank accounts and they could not guarantee a continuation of the activity after the funding period.

Interviews gave information on the need for joint organisations in some social policy areas, to arrange care of family members (for instance disabled children) and to distribute information and organise assistance for those needing it (for instance foster family parents). One solution was a club for foster families, which was run for this purpose, and another was a meeting for parents of disabled children, which was organised on a permanent basis by a social worker. All these kinds of solutions might be organised on a stronger basis if they were undertaken by a registered association, with a budget, continuation, rights to represent the members and a division of responsibilities.

Another organised solution was the local fund in Plota, which collected donations to respond to local needs and organised activities to help disabled persons and others in need on one hand, and to give the impetus for local development on the other. As noted by the leader of this fund, such an activity was supported by the 'political power' (*vlast*). However, the fund needed to make some arrangements while keeping an eye on possible misuse,¹¹ and therefore a board of local trusted persons was nominated. As a whole, the summary is quite contradictory: any cooperation between people that has a political function is controlled as soon as foreign funders are sponsoring it; local initiatives and local cooperation for accepted purposes are approved and in many cases seen as positive by the state; and some regional governments are moving towards increasingly organised civil society. An open issue is where the limits are between accepted cooperation and non-accepted cooperation, according to the stance of the federal state's power-holders.

Within its programmes, the state also offers resources for individuals, families and entrepreneurs to facilitate agency towards increased well-being. This kind of activity has increased very much after 2007 when the National Priority Programmes started. Support for building and reconstructing houses for young professionals who settle down in the countryside, for mothers after giving birth to a second child or for families with at least three children is quite remarkable. Foster families have their own programme but also have the opportunity to collect funding from several programmes and to reach an income level which is satisfactory in a rural environment, not least because they can improve housing conditions. The state supports small entrepreneurs with investments and the same conditions are available for small farmers. There are different obstacles to getting support, for sure, and there are queues waiting for that support. Field research verified, however, that there are many who have succeeded in getting different support and have improved their well-being.

The state's role in social welfare: National Priority Programmes

The increased activity of the Russian state was stimulated by institutional reforms in Putin's first period as president concerning tax collection, property and land property rights and decreasing the control of enterprises (Remington 2011: 49–51). National Priority Programmes were an outcome of increased tax revenues from the energy sector. At the time, three alternatives were discussed, as Pekka Sutela (2013: 165–6) points out: first to distribute income among the population; secondly to make investments in the economy at large, not only in roads, railways and airports, but also in health, education, housing, innovations and other such purposes. The third alternative was to maintain the budget surplus, paying back most public debt, and accumulate reserve funds. The last alternative was the winner and in 2004–8 a huge stabilisation fund was accumulated standing at \$225.1 billion in 2008. Then it was divided into a reserve fund for stabilising fiscal revenue and a national welfare fund for supporting the pension system, among other uses.

Even with 'less priority', the National Priority Programmes paid attention to highly important issues. Consequences at the local level were interesting not only because of the funding amounts but also because of the methods for distributing them. It opened up project type funding in Russia, which necessarily stimulated project-makers and partnership relations between the private and public spheres. This programme was composed of four main parts: 'health', 'housing', 'education' and 'countryside and agriculture' (Cook 2011: 22; Kulmala 2013: 92–4). There were clear reasons for each major part of the programme to be used.

The health programme was first and foremost a reaction to the decline in population numbers and the average age of citizens. Unemployment, poverty and alcoholism brought catastrophic effects on public health, especially among the male population. It was indicated most clearly in the statistics of life expectancy. Housing conditions had deteriorated after a long period in which renovations and the building of new houses had stood still. After privatisation most local companies had lost institutional support for building and people had no money to buy buildings except the few rich 'new Russians', whose postmodern style of buildings were constructed here and there. The educational programme also partly concerned the 'other' Russia, not least because of the renovation of elementary schools and putting information technology into use in teaching and in school practices. Furthermore, teachers got higher salaries and the state invested in new yellow school buses. The countryside and agriculture programme reacted on the one hand to decreased self-sufficiency in food production and on the other hand to the weakened socio-economic conditions in rural communities.¹² Rural communities and villages were targeted with sub-programmes, such as 'Sustainable Development Programmes of Rural Areas' (2008–13 and 2014–20) and 'Social Development of Rural Communities till 2013'¹³ (Wegren 2013).

The National Priority Programmes have three aspects worth noting. Firstly, the programmes were one of the results of the crucial decision on how to use increasing energy incomes. Secondly, the programmes facilitated new institutional arrangements in the welfare sector, such as closing children's homes and building a family-based system of foster care instead. Thirdly the programmes include an idea of the project as a method of implementing political programmes.

Projects using state programmes is an idea well developed in the European Union, which has tried to find alternatives to traditional state budget allocations through sector administrations (Granberg *et al.* 2015: 9; Sjöblom *et al.* 2012). Projects are an important element in the new governance. As an example, the LEADER approach in the European Union's rural policy is based on local projects, partnership relations between different stakeholders and local-level planning. When Russia uses a similar approach the question is whether it has consequences for the forms of Russia's domestic politics such as strong centralisation, the standardisation of local politics and the strict control of local activities. Does the implementation of new measures typical of the new governance lead to the amendment of politics becoming less centralised and more regionally and locally variable as forecasted by the authors?

Russian federal funding has been flowing down to the local level in several ways. Since it started to be implemented in 2007, building activity has experienced a boost in many small localities, including family houses and larger buildings for veterans and workers. A lot of new houses have been constructed, and even more renovations have been done. Also, planning construction areas on former state farm land is taking place. The repair of roads and pavements is taking place, and schools and houses of culture seem to be getting their part of increased state funding.

For villages and small towns, some of the social policy programmes have been especially important. Young professionals (teachers and doctors for example) get remarkable subsidies when they settle down in rural areas and small towns. The foster family programme has given many married couples the possibility to take in foster children and earn a moderate income, and in addition to renovate and enlarge their houses. Also, after a twenty-year break, kindergartens are being built again in small towns.

Developing in hierarchy

Authorities

In the late 1980s the common economic organisation of socialist countries, 'KOMECON', was disbanded. The Soviet Union lost its foreign trade networks and fell apart. Then Russia lost its network with other Soviet states and, furthermore, had to give up its planning system. From that point there were no more instructions on how and where the commodities being produced should be sold,

nor was there the capacity needed to transport those commodities, or available funds to pay salaries and pensions. Agricultural subsidies were cut to the minimum. In summary, the largest country in the world was in a deep economic and social crisis.

Russian resources were redistributed to new owners. The social class of 'new Russians' emerged, including those who managed to concentrate money and resources into their private property or to take leading positions in privatised industrial companies. These companies were global, federal, regional or local. Some aspects continued from the Soviet period, one of which was the social responsibility which business companies had for their workers and for the community in which their production was located.

What has been the role of local administration in development efforts? The basic rule is that planning is made above the local level. Even if practical local problems have been discussed and solved in the district and town/village administration, the rule is that they have not actively taken part in making a wider strategy. One example is the district mayor, who told us there was a development strategy for the town as well as for the district. This, however, was formulated higher up in the hierarchy and sent to the local level to be completed with statistical information and implemented. It was the regional Ministry of Economy which would work out the strategy and send the development plans to the local level. Otherwise the local level played no role in creating the strategy. 'They were simply given the projects' (interview, mayor in small town, 2014).

Local administration for development

The lowest level of local administration in municipalities plays a crucial role in efforts to improve things in localities. Before the administrative reform in 2006 they were quite powerless, with no budget, a small staff and very dependent on higher levels in the state hierarchy or on the resources of local companies and charity. Most of these companies were, however, in constant economic difficulties and their role was limited. After the reform some crucial changes happened, on the one hand because the position of village administration was more solid than before, and on the other hand because other resources became attainable. Funding came through the new state programmes and also project type funding was emerging for those who could compete for it by application.

The decisions on local improvements were still mostly reactionary, solving emerging problems one at a time. This was typical also for those who voluntarily helped poor families and others in difficulties, and who did this by collecting money for charity or made out applications to get help. Not surprisingly, attempts to utilise existing funds followed more the logic and rules of the funds than the order of importance of local needs.

Development was therefore not understood as systematic work to facilitate positive changes at the local level. Because of Russia's hierarchic system, the

goals and measures were given from the top of the administration down to the local level. In such a system, development plans cannot take into consideration the variation in local circumstances.

However, even in such conditions, clever leaders of local administration had their own impact on how things happened. They could prioritise houses of culture and libraries in rural areas, or not; they could invest in sport sites, or not. They could also apply for project funding, by contributing to it from their own local budget, or not.

Administration and entrepreneurs

The head of an urban village insisted that the local entrepreneurs contribute to projects. They should donate the required materials for renovating local roads, participate in repairing the roof of the house of culture, and cooperate in the construction of two ponds in the forest for recreation, and build new private houses. The entrepreneurs were mostly men but women also ran shops. One such woman owned a small cottage-shop with a rich assortment of almost everything. She was told to contribute, for instance, to the village *prastniek*, an outdoor event in the summer, by giving prizes for competitions arranged at the event (interview, female shopkeeper, 2014).

The mayor in a small town urged entrepreneurs to build pavements by their shop buildings with a special type of step into their shops. The entrepreneurs themselves were dissatisfied, feeling that the administration did not have any understanding of their problems and needs. Many of them were working in the retail trade, keeping small shops, but this branch of trade was entering a phase of structural change. Earlier privatisation provided many with chance to establish small companies selling daily consumer goods. During our latest visits such shopkeepers had started to meet competition from the big chains, which had established larger market halls in the towns. Some entrepreneurs urged town leaders to block this activity in order to help local entrepreneurs (interview, chairman of business club and three entrepreneurs, 2014).

However, the mayor did not see small shopkeepers as crucial for his town. He was looking for producers, not traders, and explained how he had taken up this question in the administration four years earlier:

When I worked as head of the administration, the last year of this was in 2000, in principle I gathered all the guys and told them that I won't trade anymore, I won't give a kopek, because they don't produce anything, that they as a matter of fact are of no use for the district. To produce and sell sausage, that kind of association will be supported by everyone ...

Pumpkin products ... we once produced and sold it both in the *raion* and to Biofit. It was possible to become rich in one day ... 17,000 was a huge amount of money at that time. A young man leased two *kamazes*,¹⁴ freighted pumpkin in them, and they gave him 17,000 roubles in hard cash, when the salary was 900 roubles a month.

Small entrepreneurs had worries with pension payment which were increased to such an extent that they were forced to quit their businesses, as some of them claimed. They did not believe they would somehow benefit from pension payments when they retired, it was simply an extra expenditure which was too high. Also the situation of state payments had recently been changed. Earlier there were delays in the payment of salaries and pensions or other fees. Now a new practice had started, according to the mayor: a prosecutor (*procurator*)¹⁵ would make an investigation in each case if salaries are delayed, and a director who is guilty gets a warning. Later the director gets a second chance to correct the situation, and finally, if not corrected, the prosecutor is able to fire the director. This has already happened:

This leaves the director without work according to the decision of the *procurator*, this is of course frightening. Because later you need to prove that you didn't steal, didn't embezzle, that you still have your reputation left and that they only moved you out due to the delay in salary payments.¹⁶

The local administration budget is very limited and taxation has its problems. Taxes are collected on the basis of the number of workers but there are many 'black' workers. The mayor told how they checked a company that had recently gone bankrupt. It claimed they had five registered employees:

We are in control, but there are sometimes 70, 60, 50 people there. If we put it together, to at least pay for 30–40 people ... the hotel gave a number of seven people, but the number who are working there is somewhere around 70 people – it has been paid now, everything is normal.

The district administration nominated a commission to control the situation in order to collect the taxes. The mayor gave one interpretation based on the Russian mentality:

This is a Russian tradition, when we have a law that is implemented. People start to think – not how to follow the law, but – how to go around it ... Yes, there's nothing you can do about it. It's psychology in our deep subconsciousness. If we simply are able to fill the tank up at a petrol station, at that point everyone is driving and thinking, 'how can I make a deal with the chief at the petrol station ...' which is one rouble cheaper. Even if later a number of problems arise ... 'But I nevertheless saved a rouble'. Maybe that car breaks down due to non-quality petrol, but he saved a rouble. He gets home and brags to his wife that he went around the law, that's how it is here.

The difficulties in keeping the budget balanced have forced local priorities to change. Agriculture still received quite a significant contribution but investments in it have been reduced from earlier times. Education was understood to be important for a small town, which still had three colleges in spite of some

lowering of their status.¹⁷ Also all the libraries were preserved and some even enlarged, and culture was seen to be important when villages have in many ways been abandoned. Kindergartens are only closed in villages where there are practically no young people. Bus transport companies have been handed over from the region to the district level, which is a big worry because of unprofitable routes.

Sponsoring and charity

Soviet companies had wide social responsibility for the localities in which they worked. When they were privatised, the new owners had to resolve their position with regard to such responsibilities. As in forestry companies (see Chapter 2), new owners took varying but mostly quite active approaches to social responsibilities and local development. In many towns and villages either the only Soviet company or all of them were closed without any major private firm to continue the work and in these cases the question of infrastructure and social benefits was acute. A similar situation was the consequence if the companies which carried on the work were in a weak economic position. In this economic climate various types of charity and sponsoring emerged to offer solutions for acute problems.

One example is the *sovkhos* in which Konstantin was the director. In the Soviet era, each *sovkhos* would donate material and send men to repair the houses of elderly people when needed; they used to organise a kindergarten for children in the villages and kept the roads and water pipelines in good condition. Konstantin led a farm which worked well when the Soviet system fell apart. This farm had belonged to the top group of *sovkhoses* in the whole Soviet Union. They started a difficult fight to survive, based on the strategy of keeping many different activities alive: milk, fur animals, bread and woodwork. There was a synergy of activities, which could keep them alive even if each activity fell more or less into problems. In 2002 Konstantin gave us an interview in the old headquarters dating from the Soviet time, in a big room around a long negotiation table. Everybody still called the enterprise the *sovkhos*, even though the company was private.¹⁸ We were at the beginning of a new decade, century and millennium, and the Soviet era was still fresh in the memory. In 2015 he met us again and described the changes which had happened very rapidly. The topic arose that around the year 2000 they were released from the responsibility of providing municipal services. According to political decisions, the municipality should thereafter have taken care of such services. This did not happen in practice (interviews, farm director, 2004; previous director, present director and specialist, 2015).

After privatisation many new companies adopted aspects of the Soviet traditions. They gave material help for local needs, especially in the villages where the company headquarters was located. The material basis of this contribution changed, however, because new companies did not get resources for such activities from the state budget, as the Soviet companies had received. Even if private companies also supported the administration with their local needs, the situation did not get much better before the reform of local administration and the increase of state funds for welfare purposes. Thereafter authorities could start to fill the

gaps which had emerged when the state enterprises stopped taking care of local circumstances.

The infrastructure, however, is one thing but assistance to the poor and those who have suffered from accidents or other difficulties is another.

Charity aid in community funds

The idea to connect charity to development work was new in Russia at that time but old on the global scale.¹⁹ This institutional model of local philanthropy accumulates community resources to deal with its most urgent issues. According to Larissa Avrorina (2014) Europe experienced a boom of such foundations in the 1990s and in 1998 the community foundation model was brought to Russia first in Togliatti. The Community Aid Foundation (CAF) Russia disseminated the idea of community foundations as an effective means for structuring local social activities.

In the beginning, CAF Russia concentrated on attracting international funding, but the foundation soon came across local stakeholders for its operations. Along with CAF Russia, support for establishing community foundations was provided by several foreign and some national foundations and other agencies, as well as some Russian companies.²⁰ According to an evaluation report by Avrorina (2014: 9–11) the Community Foundation (CF) model ‘came into Russia as a Western specimen of local philanthropy with clear principles and criteria ... It has been successfully adapted and further developed to become “inherent” in ten years.’ This activity started in Russia from city charity funds, but later more attention was paid to rural areas, and the name ‘fund of local community’ came into use (ibid.: 32). The objective of such funds has been to improve the life of the whole community and help solve the actual problems of the local territory. The community foundation concept gained popularity in Russia, and in 2014 there were altogether 45 Community Foundations across the country (ibid.: 4). Thus charity activity has grown in Russia from pure forms of assistance for those in trouble towards development-oriented assistance.

One example of village level charity is the local ‘Partners’ Council Fund’ (PCF) in Sazonova. It was created in 2004 and it funded among other activities the children’s shelter in 2007 in the same small community. The fund aimed to find solutions for local problems, offering a channel to accumulate additional resources for this purpose in the local community. During 2004–7 this fund organised five grant programmes and financed 99 projects with the total sum of 25 million roubles.²¹ The foremost spheres of funding were social protection and support for the population, education and youth policy, sports and tourism, employment, culture, medical care, urban environment and the modernisation of communal services. The main target groups were veterans, pensioners, disabled people, and youth and children (Nikula *et al.* 2011: 111–12).

Charity is often connected to the needs of orphan children or children from families with poverty, health problems and alcoholism, as well as children in homes. The children’s shelter was organised as a local initiative. The energetic leader of the

children's shelter succeeded in gathering donations with the help of the Partners Council, which for its part was funded by the local community. Children who stayed in the shelter could pass training called 'The School of the Young Farmer', which aimed to give them skills in farming. Added to the therapeutic effects of horticulture and working with animals, this training contributed – it was thought – to the future of the children and the development of the district (ibid.: 112–20).

Another example of a local community aid foundation was a new fund established in Plota. The foundation was first financed by a prosperous businessman from Moscow who was born in the community. Nevertheless, the foundation is independent and works according to its own ideas, in the beginning in close collaboration with the social service centre in the community. As the leader (interview, 2015) of the activities of the foundation expressed, money and material things were not enough to help poor and disabled people because they are often socially isolated. She also remarked that 'this is a characteristic feature in Russia – there is no openness for those who are disabled.' The foundation was going to support disabled people to make handicrafts via training and also by buying tools like looms which are specially planned for them. They wished to connect this activity with positive prospects in tourism in the region. Handmade handicrafts were becoming more popular again: when made with good design and wrapped in a beautiful package, tourists would buy them instead of some magnet pieces for refrigerator doors. Handicrafts were sold in the new ethno-cultural centre.

Charity for development

Charity often answers urgent problems. Ten years earlier, in Plota administration, Anton recounted examples of charity from the 1990s when some families lost their houses in fires, or when the breadwinner of a big family had an accident. Sometimes charity has continuity, for example when support is given for a children's home every now and then. In several women's clubs the members told us that their club had such activities: a club of foster families was told to make requests to entrepreneurs to donate something for someone in need; proposals can come from a local head or from a vice-mayor, who is responsible for social development. The help given can take the form of money, but also often comprises material things or help with transport.

Charity complements the support from the state. The crucial question is whether charity supports development or doesn't. One can further ask whether it fills the most important needs. Contributions by business enterprises are often targeted at sports-related needs (football fields, ice hockey tools, travelling costs), children's playgrounds or to cultural events. They all are relevant subjects, it is clear. However, there are also other crucial needs which donors do not often recognise. An interviewee working at the house of culture in Startsevo in 2014 described the difference between private and state contributions with the comment: 'Who would like to support buying toilets?' Probably no one, for reasons of image.²²

To conclude, the children's shelter indicates that charity can make important contributions to local life. The new charity foundation in Plota shows that a local foundation can initiate projects which are urgently needed. Both examples also reflect the importance of collecting local stakeholders together to communicate, monitor local development and learn what and how things could be done better than in the past. This is, potentially, the way to solve local problems.

Foreign funds for development

Many foreign charity foundations and agencies felt an interest in Russia and wanted to offer funding for various needs in Russia. This turned out to be a demanding task for many reasons – the operational environment in post-Soviet society was unknown to foreign actors, and positions taken by the Russian government did not provide much help, if any, for delivering the assistance. Much of the discussions on Russian society turned to questions of civil society and entrepreneurship. Civil society was mostly identified to be weak compared with that in the West, and for many it was a totally non-existent category in Russia. Entrepreneurship in Russia, it was felt, was acting in a very hostile environment, coping with bureaucracy, corruption and political arbitrariness. In the following discussion, we take a closer look at three development efforts at the local level: the Swedish SIDA project in the Archangelsk Region, the Finnish LEADER experiment by Lake Ladoga and the Russian TOS movement in the Archangelsk region.

SIDA project

The Swedish International Development Agency (SIDA) implemented a project in three communities in the Archangelsk Region in the early 2000s. The goal was to improve self-sufficiency by helping individuals to start their own businesses. Fifteen people took part in this activity, which involved education in business, learning the basics of legislation, getting assistance in making business plans and a study visit to Sweden where participants visited individual entrepreneurs within the same business sphere. This project gave training for local people to start a company and included the exchange of multifaceted information on the regional level. An outcome of the programme was that some individuals succeeded in starting small companies. In 2014 three of the women were still running their businesses, although two of them were now in their daughter's name. One of the men had been able to set up a Swedish-Russian timber-logging firm in 2003, and after a number of ups and downs was back in business in 2012. Some of the others who had tried were running their businesses without being registered, while others were able to benefit from their experience in the project in administrative positions. Three of the women had engaged in local politics, of whom one was a district vice-mayor in 2014 and another was the local head in a municipality. Needless to say a number others did not succeed (Såtre 2014c: 2016).

A longitudinal follow-up study presented evidence of the importance of Soviet experiences for local women as a kind of school for entrepreneurial capacities to work in non-priority industries like tourism, food production and the garment industry (Sätre 2010).

SIDA's project clearly demonstrated that local agency is an option in Russia, even in small, peripheral communities, and that there are local people who are willing to grab the opportunities when they get access to the know-how and the small number of resources needed to start their activity. The benefits not only remained inside the family circle, but such small seeds in the sand have in some places also led to further flourishing in the local sphere in mutually enforcing processes of development. This was most clear in one of the communities, where three enterprises and a vice-mayor had participated in the training.

But participants who failed to put into practice the activities they had planned also said that the experiences were useful for them. This was the case even in a village where many plans were destroyed by a local entrepreneur. They were all poor in the village, but succeeded in doing something about the problems. Many had found work from nearby towns, they had cleaned up the road and one of the women had been able to get support for the village from a traditional NGO in the form of clothes, food and streetlights. They managed to get a few things by organising TOS projects, i.e. a war memorial and a playground. The women's council had set up a choir, and together with the veterans' council and the club they organise celebrations. Some of the houses have been renovated, there are activities at the house of culture and the children have learned to sew.

The SIDA project had another, unexpected consequence – it was the spark to start TOS activities in the Archangelsk region, which we will return to below.

The Ladoga Initiative

A Finnish university department, the Ruralia Institute, ran a project called the 'Ladoga Initiative'²³ together with three Russian communities in the Ladoga area in 2011–13. This activity aimed to experiment with the LEADER approach, which is the European Union's main means of rural policy. It is ideally based on bottom-up initiatives, which are supported to become small-scale projects. The process is steered by setting up a local development programme: the priorities of each programme are settled in village meetings and put together by a district-level Local Action Group (LAG). This includes competition between proposals and implementation of those that are accepted. The steering group is composed of local stakeholders: administration, entrepreneurs and local people (Granberg *et al.* 2015: 111–26).

The project included training sessions in Russia and Finland, visits to Finnish LEADER groups, active local coordination and small-scale funding for material needs, and nothing for salaries. In the three districts, 30 local projects were implemented, including the building of seven children's playgrounds and one village sauna, and renovating three sports fields, a museum roof and two club houses, and

a number of organised cultural events while others collected local historical memories and also planned a local brand for artisans.

At the beginning, many people did not believe in the project, and local coordinators visited the villages several times to help run the activities. Training to prepare applications was helpful, while ‘initiative groups’ in the villages established a network to plan and to implement the project, holding meetings and receiving training both in Russia and in Finland. The atmosphere was good. The interviewees confirmed that the local authorities supported the planned activities while companies would also give some support (interviews, several project leaders, 2012).

Civil society

It is well known that only some men are active in meetings and volunteer themselves as project leaders, while women are more active than men. The Russian explanation given for this is that men are busy either in the political arena or in making money. Therefore small projects as such do not interest male entrepreneurs. An additional remark was made by a female teacher: ‘It is very fortunate that locally there have probably remained many honest entrepreneurs ... who earn money through their own labour and not by means of corrupt deals’ (interview, 2012). A number of such entrepreneurs were involved in activities in one way or another.

For instance, an ice skating area in the Ladoga Initiative was built in a small town next to the local school. Funding only covered a part of the costs, the other part being received through volunteer work. However, the staff in this small town was surprised that funding came from the EU, but they soon started to apply for more funding from the Russian authorities in order to organise complementary activities. What happened was, in a word, according to the first project leader, empowerment: increased self-confidence and activation of people involved in the activity. One year later, many plans around this skating area had been further worked out and a lively sporting activity seemed to be coming to the area (interview, female project leader and two men from the administration, 2014). Snow Castle is another example, where an entrepreneur used the information she received from the SIDA project and prompted both volunteers and Russian funders to implement her idea.

Both projects were later monitored. The long-term effects and processes of emancipation need more time to be evaluated, but with the SIDA project some results from the ‘processes of emancipation’ could already be clearly observed. However, the diffusion of positive results mainly took place inside a restricted set of communities and the early impression is that bottom-up processes are hard to make a reality in the communities being studied.

On the other hand, local civil society worked well during these activities. A fair number of energetic people were found to lead the Ladoga and SIDA projects, as well as many more participants who worked on a voluntary basis to implement them. Often, the active persons were school and kindergarten teachers and

cultural workers. Participants were women more often than men, and partners were found among both small entrepreneurs and the municipal and district administration.

An important mechanism to support positive steps in this kind of an organisation is networking. Project activity opened the possibility for networking on different levels in and between the three municipalities around Lake Ladoga as well as between local actors in Russia and Finland or Sweden. Such network produces social capital. Naturally, the fate of this network is still to be determined.

TOS – self-managed local associations

Irina, who was a local vice-head, reported that they used to form a TOS whenever there was a need for it (interview, 2014). Each project can apply directly to a fund, but the money has to come through the community budget. A formal application is needed with a clear statement of what the money is needed for. There are certain rules one has to comply with. A TOS is normally not officially registered, is meant to be temporary and is usually quite small. Thus one should apply for funding through a formally registered organisation, for example the women's council or the municipality. The members of TOS are usually also members of other organisations, such as a women's council or a veterans' association, according to Irina's experiences. She also provided an example of a woman who registered a TOS as an NGO, using her own pension. One TOS can only apply for funding for one project. She presented a few examples: the head of the house of culture applied for looms. Another person applied for a health-oriented idea and received sporting equipment. One group received money for a cultural programme so they could go to the community centre for concerts and theatre.

We asked about TOS in many places. We had heard about the possibility of starting a TOS already some fifteen years earlier, but nothing much happened anywhere for many years.

Svetlana has been a deputy in the regional parliament (*Duma*) and even the Minister of Culture, and has followed TOSs from the beginning. According to her, there are two or three projects in each municipality in this district, and it appears that this possibility has been used also in the more remote areas. She mentioned a few examples of what had been achieved in the community centre: a shop, some cultural activities, renovating and taking old buildings back into use including a club hall, a mini-sports facility and a volleyball field. There were many plans in her district both in the centre and in the villages: some wanted to build a new training hall for billiard, others wanted to decorate their village by planting flowers at the bus stop. In this region there are villages on both sides of the river. Therefore funding has been used to build a couple of bridges across the river. It appears that creating a TOS in itself is not so much about getting more influence in the local setting, it is more about creating something for the locality or for solving concrete practical issues. It provides an opportunity for meeting people, to get together around common interests (interview, 2014).

In another district, the first TOS had started in 2001 and by 2014 they had financed 35 projects, at least one existing in almost every village. We were told that they learnt the idea from Sweden. With regard to the rules of TOSs, there has to be a leader and a council. The first project aimed to raise lambs which were then given to families. This TOS worked well for several years, until eventually the leader became too old to continue and nobody wanted to take on the task. Another TOS was created by people along a village road, with the idea to making the area around the houses more beautiful. The activity had four aspects: history and culture, sports, welfare and social issues. They have renovated buildings and constructed walk-bridges across the river, small roads, pavements and fences. TOSs have also been used to help the poor. One example is the renovation of the house of culture which now functions as an open place for children from problem families. Children from homes where nobody works can get together there. It is the only place in the village where children can spend time in the summer when the school is closed. Another initiative was to renovate and organise childcare in the former post office. This was mainly done with money from the regional budget. In addition, TOSs have renovated sports halls and organised sport events (Vestnik TOS 2013).

Ludmila, a deputy who took part in our meeting at the administration, confirmed the view that women are most active in local development. The women's council creates networks, they initiate ideas to start a TOS, and they act by turning to the mayor or deputies to propose their ideas (interview, 2014).

The third district had 22 active TOSs in 2013. They received the major part of their funding from the regional budget and 10–30 per cent from the district budget. Also entrepreneurs could participate as private persons and they could support projects. Here none of the TOSs was registered, therefore funding was channelled via the local administration. Elena was the financial manager in this district and had full control over its projects. Thus it looked like TOSs were a part of the administration. But Antonina thought that this was only the first step and that later they would take a further step to register their TOSs, so that in the future they could have their own bank accounts (interviews, financial manager and leader of house of culture, 2014).

In one district, local people had not had experience of TOSs before 2006. They had a number of ideas and tried to get support for NGOs but their applications had been rejected. They heard that elsewhere TOSs had got funding. It took some time to learn how they work, but in 2011 they received the funding for one TOS and the following year they formed six more, three of which were accepted for funding: a memorial for a hero was erected in a village, a chapel was built in another village and a sports arena was under construction as well. There were some complications because of the rules on facilities, cleaning the environment and reporting on the projects – all reminiscent of principles in European Union projects too (interview, three female officials in a district centre, 2014).

There were critical opinions on the system as well. The local head of a municipality was not interested in such projects. 'TOSs don't have resources, they can't participate in anything, they don't give any money,' he said (interview, 2013). But

also in this district many other municipalities had established TOSs, according to three officials in the district administration in 2014. Svetlana was also a little critical: 'It is too easy, people get this money for nothing. They just leave a bunch of documents with the administration, which has to handle it' (interview, three women in administration, 2014).

A mayor told us in 2014 that their district had a Commission to decide about the distribution of money to TOSs, and they tried to support the most interesting ideas. There were rules on the percentages of co-financing that were needed, and on voluntary work which is a part of co-financing. According to him, small local firms contributed to the TOSs. In each case there were some small contributions from firms in the form of material or equipment. The mayor made his opinion very clear to us: TOSs exist only for the poor; they could contribute to society by helping the very poorest regions to improve life for the poor in different ways, but they won't really make any contribution in the longer perspective. Nevertheless, Elena was in charge of the administration of the TOS system. She was really enthusiastic and put a lot of energy into them. She helped us to visit a remote village to see TOS in practice and next day she picked us up in her car to show us some results from the projects in the central village (interview, male mayor and female TOS specialist, 2014).

In the remote village we visited a guest house that was under construction. Perhaps this could be a seed for tourism, but according to the mayor people were not really interested in tourism, rather they wanted to have guests: 'People don't want strangers here.' The guest house was meant to be used primarily for families and friends of villagers. Its construction had been made possible by the generous contribution of an anonymous donor, a Russian small entrepreneur. We also saw a new local museum and painted fences alongside the village road, all contributed by TOS money.

The next day's round tour started from a newly built area of houses and new playgrounds. This area was located near the centre and young families had built houses there with the help of the state programme for young families. Houses and small roads were built on what was previously agricultural land. The transition from the Soviet system had ended and no one could claim land any longer from the *sovkhos* that had previously functioned there. People had to build roads by themselves from the main road to their houses and to connect their house to the canalisation system, either each one separately or they could also use a common TOS with neighbours. Many had received the sum of 30,000 roubles (approx. €700), which they used for the road and for lighting. One team got financing for canalisation, but just next to it, another group of residents were not able to create a TOS. This means that each of these families has had to construct their own canalisation. Elena knew well what was happening there, because she lived nearby with her family. They had built their own stretch of road by themselves, as she was working at the local administration. She could not apply funding for herself, she said, 'that would be corruption'. In the next field we could see that three houses had just recently been constructed. They were in an open field where the lots had been given to families with many children in the previous year.

Antonina thought that people had become more active and that the TOS system had perhaps contributed to it. She could see the differences most clearly in the cultural sphere, where she was active herself. The houses of culture have bought new equipment and improved the electricity systems.

TOS as a tool of development

TOSs are based on a common will to implement a concrete project together, and organised by defining the task, listing the people included and nominating a chairperson. A TOS is a special legal form of local cooperation mentioned in Russian law. There were only a few before 2009 but in recent years they seem to be mushrooming, perhaps most of all in the Archangelsk region. According to an information bulletin,²⁴ 721 TOSs had already been set up there by 2013. In a seminar in the regional Ministry an even higher total figure was given (880), which tells us that the number of these organisations is not much less than the number of NGOs: 1,200–1,300 (Vestnik TOS 2013; Granberg and Sätre 2015: 72).

The Archangelsk region allows TOSs to apply for funding for local projects; each can get a fixed sum of money for material needs. In practice, the local authorities of each district take care of the organisation and allocation of funding. The Archangelsk region has also renewed its governmental structure to answer to the needs of local development efforts. The Archangelsk Regional Ministry for Local Government and Domestic Politics aims to support the work of local TOSs.

In view of the rapid increase in the number of projects, it seems that a TOS is an answer to some of the basic problems in social development. A member in the regional parliament mentioned that ‘the Russian administration had forgotten how to work with problems on the local level’ (interview, 2014). A TOS offers concrete and practical means in this context. It brings together some local people with similar problems, is easy to organise and aims for concrete results. Is it a social innovation?

According to Dees *et al.* (2004: 26), ‘Social innovations are the production and integration of new knowledge in the form of programmes, organizational models or definite sets of principles and other means which are utilized at local level to respond and react to positive and negative results of restructuring.’ The ‘Russian model’ is in many senses similar to the LEADER approach in the European Union’s rural policy. A TOS is an organisational model, a partnership between local people, enterprises and administration loosely organised but still a part of the model. What is new in Russia is that local people are an active part of this partnership. TOSs are integrating new knowledge with local circumstances in Russia; it is clearly a reaction to the negative results of system change but has wider consequences, such as recruiting active persons to the local administration. Projects are integrating both old and young participants and some of the younger ones have become new staff in local administration, as we could prove in single cases.

So far a lack of autonomy characterises TOSs, which may complicate management and financial practices. Some TOSs are steering funding through municipality bank accounts, others through the accounts of NGOs. There are not so many

NGOs, however, and these solutions have been impractical, because projects may have an ongoing need for collecting and using money. We were told about proposals to change some TOSs into NGOs through registration and the opening of the TOSs own bank accounts. This has already been done several times (Vestnik TOS 2013). It is an interesting direction, against the background of the Russian policy of avoiding the formation of NGOs. Whether it will lead to contradictions remains to be seen.

To sum up, TOSs do actively solve local problems, they produce solutions and motivate people for local society's needs: in doing so they empower people and produce trust and social networking. In brief, in the best cases they successfully renew the socio-economic living environment in a positive way.

Actions and institutions

On a local level people have many different ways to act and our data shows that they are in many cases using these opportunities actively. Before discussing what general meaning this activity has in the process of social change in Russia, we have to take a look at institutions. Social change in Russia started suddenly with the breakdown of the Soviet Union, followed by thorough-going changes in all basic institutions. Douglass North (1990) has divided institutions into four main types: legislation, organisations, enforcement and norms.

Legislation was changing in Russia from its roots, making among other concepts private property and enterprises possible and state farms impossible. The political system moved from the Soviet era's ritual elections to elections where alternatives were allowed at different levels of society and responsibility for social security was moved from socialist enterprises to state and local authorities. Much larger diversity than before was allowed in cultural life.

New organisations were established and old ones were reformed. State ownership was moved to private companies, which often became large monopolies, while at the local level small companies were established. Regional and local administrations were reformed and the lowest-level of administrative areas, the 'village administrations', received their own budgets and became important in advocating for local interests. The profession of social worker was established and non-governmental organisations and private funds could be set up.

Problems of enforcement are often highlighted. It has been pointed out that the rule of law does not always work, laws can often be circumvented, relevant organisations to implement laws are not established or reformed and also the legitimacy of law and juridical institutions is low. Nevertheless, one can argue that reforms have been radical and in spite of problems and defects in their implementation, a lot of changes have been made and they have deep consequences for the Russian state and society.

The fourth institution type is a special one, because norms are part of a society's culture and culture cannot simply be changed by decree. Path-dependence theory has shown many aspects in Russia and elsewhere which have retained their old shape even when the society around them is changing. These aspects

then are modifying the structures and evolution of society: Russian authoritative regimes had already had a long tradition before communism; and a strong state with its bureaucracy is still a part of the authoritative regime. It is women who have the important role of finding solutions for everyday needs, while a strong social responsibility in companies for their workers and inhabitants in their production sites are other similar examples.

In spite of many aspects which cause and contribute to path-dependence, society is changing. In this book, the focus has been on finding reasons for changes and explaining the way these changes take place at the local level. Table 6.1 shows what types of activities people can try to do in order to change something important for their personal life. The question is whether these are unique or represent a few cases, or whether they are indicators of a more general phenomenon which can lead to social changes in many places – and perhaps later on, at a regional and a more general level. To answer, we will follow Amartya Sen's (1984) theory in order to consider whether people have the capability to act. We will return to the questions mentioned above after an overview of the different types of action at the local level.

Capability to act and preconditions for development

The SIDA and Lake Ladoga projects, increasing numbers of TOSs, along with concrete examples of using the federal and regional level programmes for local needs, all these cases provide evidence that the local population have, in favourable conditions, a capability to act. In his capability theory, Sen (1984) classifies assets into resources, rights and relations. According to him these assets are preconditions for capability to act. During different kinds of agency these assets are transformed into goods or services. While some combinations of resources, rights and relations are associated with coping, which has no consequences for local development, some other combinations of resources, rights and relations are associated with agency, which more probably also has an impact on social changes. For example, while getting social benefits is normally related to coping, getting access to a land site for establishing an enterprise²⁵ producing cement rings for wells is rather connected to strategic behaviour, which will cause many small improvements. Firstly, a number of local people will work in this enterprise receiving incomes and renovating their houses with these incomes. Secondly, local families will buy these rings and construct their own wells, getting fresh water and installing running water in their houses. And the entrepreneur will also pay taxes and sponsor local events from his profit because this is the local norm.

As one has to prepare an application to get social benefits or a grant for starting a business or for building a house, both coping and strategic agency require intentional action. In strategic agency an action is, however, not only a single act, but rather a step in a series of actions, aimed at increasing personal well-being. When such actions are taken by several people, the results are seen as positive changes in a local context, contributing to improving the quality of life for the ordinary population. Examples of such agency are using land in order to produce food for markets

or to build one's enterprise on one's own land property. This is about using grants from the federal programmes and about having a capacity for manual work.

The use of rights

With the reforms ordinary people gained some new rights while losing others. For example, they received the right to start businesses or private farming, as we saw in the case of Sergei, Nikolai and Margarita. Also people got rights to unemployment and many other benefits, but they lost the right to a job, along with different rights to services they had been entitled to in the Soviet period, including free public transport for pensioners.

People also tried to solve questions connected to structural problems, such as non-finalised privatisation of state property. It was problematic to take abandoned land into use – state farm property could cover large areas near community centres. An important stage was achieved in this process in 2010, when the owners of 'virtual' land plots lost their right to ownership if they had not yet claimed the land. As an example, after that earlier *sovkhos* land in Pikalikhka could be privatised and sold for building activities, agricultural enterprises or other purposes. The result was a large area of new houses within walking distance of the centre.

It appears that some of the state or regional programmes have provided good opportunities for strategic agency. Interviews describe families using the possibility of getting a grant to build their own houses from the Federal Programme for Young Families from 2010. A group of teachers had received new houses in an urban village. Some of the houses had problems because the roofs were not waterproof and, in spite of the owners' right to get them repaired, nobody was willing to come and do it. So there may be serious problems of implementation before you get your rights adopted. In this case the conclusion of the owners was to do it themselves. We also heard about families using the motherhood programme 'mother's capital' (2013) to improve living conditions. A family with several children was building a bathroom in their house with funding from this programme.

Federal programmes generally presume the communities to be active in order to take part in them. Sometimes communities must pay a part of the costs, and there are great differences between communities in this respect, indicating that the efforts of local administrations do make a difference. This is also clear when it comes to the creation of TOSs. In one community the mayor did not think of them as an important ingredient in local development, but he did not prevent one of his active employees to work with them. Consequently, the idea of creating TOSs to realise local initiatives spread quickly in the community, increasing grassroot-level activities remarkably.

The use of relations

In the interviews some entrepreneurs stated that they did not like to hire people outside the family. An enterprise, however, needs to solve relations with the market

and local administration. When Ivan could not find a market for his milk, he failed to find crucial connections and could not run his milk production anymore. Margarita was able to survive in 1998, the difficult year of hyperinflation, by buying pasta and selling it over a longer period. She had a connection to a pasta factory, which was needed, and to the consumers who bought the macaroni.

It is important to have good relations with the local administration in order to get a licence for business activity and a contract for a concrete business operation: to rent a building to run a restaurant or a shop, or being assigned the task of building or renovating a road, or getting a plot of land to ensure the continuity of long-term business activity. Mutual relations in exchanging commodities or services were common in socialism and the years following it, when money was not fully used in the markets. When corruption is rather common, personal relations are even more valuable.²⁶

Relations between administration and enterprises have mutual benefits. Local administration needs good relations with entrepreneurs to ask and insist on them sponsoring local events and projects or to fulfil social contracts. One local head succeeded in getting support from local entrepreneurs to build a church, while another put pressure on them to participate in building pavements. Because of the lacking of funding in most municipalities, the participation of entrepreneurs is crucial for any additional efforts.

Local initiatives are a newer type of local activity in Russia, organised in project form. The TOS is one such concrete activity type, organised between neighbours and villagers or other informal interest groups.²⁷ This kind of activity is taking place mainly in the area of community relations, which network researchers call strong ties (Granovetter 1973). To move further, to be more innovative and development-oriented, it is important to build weak ties and relations to external actors outside the region and even the country. Such an entrepreneur is Marina, who built a training centre for skiers. She had built up contacts and received opinions from foreign centres while being a top-level skier herself. Now her business was running well and the municipality was also adopting this enterprise as a part of regional efforts around winter sports activities.

The use of resources

Natural resources are important sources of income in rural areas and small towns. Plot farming and picking berries and mushrooms provide part of the food necessary for most families and often some extra income. We were told about children who had earned enough money for a bicycle or a moped through picking berries. Respondents indicate that plot production is important for most people and in small municipalities all the inhabitants with only a few exceptions produce at least some food in their garden. The picture has changed somewhat from early 2000 to 2010, because animal farming was decreasing, and only a few tried to expand these activities into a real source of income. There was a lot of uncultivated arable land in the regions where we moved around. An

exception was one entrepreneur producing juice and jam from berries and conserving mushrooms using a method of simple drying.

Forestry is the business which provides work and money in all the regions studied in European Russia. Small teams of men are engaged in enterprises which are involved in cutting forest, operating sawmills, building cottages or transporting timber products. Such industrial units were established when market relations came to Russia. Often unregistered teams cut forest illegally, collecting capital to start legal businesses. That was the time when the legitimacy of authorities was very low and breaking the law was not considered greatly immoral, when so many leading politicians and businessmen did the same, but with thousands of times bigger sums of money. Now these wood-based companies are important taxpayers and sponsors of local needs.

Fishery is important in Karelia, an area specialising in aquaculture, and in the Archangelsk region. Together they produce a remarkable part of Russian fish. One entrepreneur grew fish for restaurants in St Petersburg and another had sold fish to the Sochi Olympic Games.

Natural resources are not only material things but also aesthetic ones. The landscape, forests, lakes and rivers are places for relaxing in leisure time. Tourism is coming slowly to the Russian countryside, but by 2010 there was already a tourist infrastructure – roads, hotels and restaurants – in many more places than ten years earlier.

Resources concern not least human resources. Some respondents have mentioned ‘a good working family and a husband who does not drink’ as the most valuable resource. Russia has a lot of educated people who are able to start many kinds of activities, if they have access to the necessary additional resources. A chocolate shopkeeper described how she had moved from the north to a small town in central Russia and applied there for work as an ecological expert. She had a high-level education in that topic, but the job was given to a local policeman. Therefore she decided to open a chocolate and tea shop instead. The three successful business companies formed with the help of the SIDA project show that it is possible also in the 2000s to build up businesses. These examples show how step-by-step improvements based on investments from one’s own resources can be a viable strategy.

In line with earlier research (Smallbone and Welter 2009; Ericson 2009), respondents expressed the view that it has become more difficult to set up private businesses than before. Nevertheless, people still start their own businesses in, for instance, trading or taxi-driving. Interviews describe how entrepreneurship rises in crisis years, when family incomes are not enough to live on.²⁸ In particular, it seems difficult to survive after the first year. The possibility of working as a migration worker (*vakhtovyi metod*) was mentioned, although it was pointed out that this way of working could be harmful to the family.

The local administration uses resources to increase the local budget available for the co-financing of federal or regional projects. Well-educated women working in the budget sector provide a valuable human resource, and some of them

talk about how even the smallest projects showed them new possibilities. This, in turn, encouraged them to take new initiatives.

Sen's (1984) analytical framework also connects agency to the issue of empowerment. He seeks not only to answer the actual needs for a resource (for instance money or housing), but also to identify the kind of support needed to transform those resources into goods and services. This requires agency by those receiving support based on individual perceptions of what they need. The core of the empowerment concept lies in the ability of the individual to control his or her own destiny. Agency represents people's ability to act towards goals that matter to them. Sen (1984) argues that this includes an aspect of freedom which is a vital ingredient of social change.

Development

Development cannot be measured so much from individual people's and families' success and increased well-being. It is a stream of mutually reinforcing processes which cause positive changes in a place. Naturally, individual success and local improvements are connected but there are many things which must change to turn a locality from stagnation and a negative spiral of increasing poverty, unemployment, frustration and mistrust to a phase of positive changes.

Because Russia is a highly hierarchic society, changes at the local level have to be spread to higher levels to bring the development process forward – in that sense development is similar to innovation (see Knickel *et al.* 2009). Local actors have to combine opportunities which they find from national and regional legislation and programmes with their own activities at the local level. Concretely, local resources and funds must often be activated to be able to apply for funding from higher levels, and higher authorities and politicians should be convinced of the usefulness of the suggested changes.

Local development is a process in which those, who get benefit of it, become aware of what they need, and take initiatives which are supposed to lead to positive changes in the circumstances where they live. That means social and psychological processes which take place among people. Emancipation takes place when a person becomes better informed about his or her own needs and rights, and also becomes more willing to use these rights to make changes. Empowerment means that he or she becomes more self-confident and has the power inside him or herself – while cooperating with others – to work through changes which he or she feels relevant. Changes can have two aims: fulfilling a person's individual needs or improving his or her living environment.

If and when the development process is launched, people may learn to increasingly trust each other, not only those they know, but also others – this is called generalised trust. In society the consequence will be, finally, a strengthening of social capital. And that is the quality of local society which seems to grow in strength together with local development (see Lewin 1946; Ilmonen 2005; Putnam 1993).

In this connection a much discussed aspect is whether development should take place following a bottom-up or top-down model (Murdoch 2000). What is relevant, however, is not what the reason for starting is, but how the process works after it starts. A car can be pushed and while it is rolling the motor can be started by engaging second gear, or the car can be started normally with an ignition key. When the motor is working, the question of how it started is not of importance any more. State funding may start the process, if local administration and local people are proactive in applying and using these funds. The question for local people is, in the end, how they succeed in pooling the resources which exist in the municipal budget, in federal and regional state budgets, in private funds external to the region or in the accounts of sponsors connected to the region. Here we return to Sen's (1984) idea that local social change depends on the access to resources and the relations between and rights of the people. Resources, including all kinds of capital (including social, human and cultural capital), rights and relationships are not enough for improving societal circumstances – agency in one form or another is also required. The additional question is whether development only takes place at the grassroot level, or are the experiences from local efforts accumulating and moving to the regional and national levels, that is, are the lessons from the local level heard and reflected upon at higher levels of society's hierarchy or not.

Reflections

As mentioned, some of the Russian decision-makers interviewed believed in 2012 in the passivity of the local population as one of the reasons of underdevelopment. Western scholars and opinion leaders, on the other hand, usually underline the deficiency of civil society in Russia, which is often indicated by the low number of NGOs.

In the Ladoga Initiative and SIDA projects, bottom-up activity had a strategic role. Local actors made proposals for the projects which they ran themselves. They negotiated with the authorities on the rights to use certain areas for a playground or sports field, or which building they could rent for the purposes in question. The main priority of SIDA's projects was to create entrepreneurship. In four cases of 15, the entrepreneurs succeeded in making a breakthrough and the positive effects on the local environment were clearly visible.

Some of those involved in the SIDA projects contributed to local circumstances by helping others to start their own businesses or in other ways promoting an improved quality of life through activities at the houses of culture and the like. Most Ladoga Initiative projects created common goods. Children's playgrounds and sports fields and the renovation of cultural clubs and museums created public spaces. Such public spaces facilitate face-to-face communication, leading in positive cases to increased trust and social capital among local inhabitants. Also, negative aspects emerged – like breaking the play equipment – and the overall outcome depends on how successfully such behaviour is handled and corrected.

Some other groups worked on identity: school children gathered their grandmothers' memories; a symbol for local producers was planned; the museum's roof was renovated. And of course sports fields support identity formation. A sense of local identity is an important antidote to frustration when outmigration and unemployment have been part of everyday life for years. It may also support processes of empowerment. To summarise, the SIDA and Ladoga projects indicate that it is possible, in Russian small towns and villages, to carry out successful projects and to stimulate empowerment and social capital and thus to promote development.

Civil society is definitely organised in a different way in Russia than in Western Europe, but for sure in the 2010s there are ways in which people organise their interaction and cooperation outside the sphere of the state or of the core family, that is in civil society. We received clarifying comments from the local people concerning civil society.

First we heard that village meetings are arranged quite often in the regions, but they differ from the meetings in Swedish or Finnish villages. Russian village meetings are arranged to solve some existing and important local issue, not to discuss more general priorities or all the alternative tasks and challenges of village development. During the Ladoga Initiative even such discussions succeeded, and they also brought about compromises between different proposed project initiatives.

An observation was that there were many initiatives at the local level, but a lack of interaction between people and the local administration. The administration was also blamed for shifting the burden of helping the local community onto the shoulders of local entrepreneurs. Respondents also mentioned an imbalance between business, administration and people. Administration and business interact a lot, but interact less with local people.

Notes

1. 'Blue Road', a joint project between regions in the middle parts of Norway, Sweden, Finland and north-western Russia.
2. This project was not very successful. The workers in the heating unit were extremely dissatisfied during an interview in 2002: the boiler house belonged to the district administration which had run out of money, and very few of those who were using the distant warming from this unit were able to pay for it. The production of wooden chips had not gone well, workers were not getting any salary, and so on. Yet the workers still did not attempt to protest, partly because striking in this kind of 'life sustaining enterprise' was not allowed.
3. Swedish International Development Cooperation Agency.
4. 'The majority of the population takes a consumerist position: if we have a government, it should provide us with this or that in our district' (interview, female private entrepreneur, 2012).
5. *Blat* gave the workers the right to use, borrow and even steal, for example the property of collective farms. Furthermore, services provided by such a property could be swapped with neighbours or other villagers for other services or commodities (Alanen 1998: 145; Ledeneva 1998).
6. Public space is an aspect of the theoretical work of Jürgen Habermas (2004) on the public sphere.

7. In their house we found the tiny innovation of making a water pipeline out of a chain of plastic bottles from the roof corner down to a water container, one local innovation, which Russians are so clever at finding, to solve a problem in a cheap way.
8. See Chapter 1, note 4.
9. See Chapter 1, note 5.
10. This project is highlighted further below.
11. To the question of an example of what such misuse could be, it was answered that there might be some extremists trying to misuse the fund. That sounded quite strange in a small, peripheral district in a fund handling relatively little money – in fact too strange for the interviewers to be able to formulate any follow-up question.
12. Russia's large-scale agriculture was supported in order to increase national production and self-sufficiency in food production. It also promised similar support for private farms as for small private companies, and included non-agricultural support measures for rural communities. No return was made to implement family farm programmes as in Yeltsin's time, although the new programmes included a modest small farming programme. In 2012 peasant farm enterprises, private subsidiary farming and cooperatives, together, received only about 2 per cent of subsidies while they produce more than a half of agricultural production (Kovalenko *et al.* 2015: 184).
13. The programmes include both quite unrealistic promises and concrete measures. Some of the more concrete ideas in these umbrella programmes are to encourage non-agricultural activities in rural areas and to renew housing conditions for people living in rural areas, and includes support for young families and young specialists who move to villages and small towns, as well as the development of the social and technical infrastructure and grant support for initiatives to ameliorate living conditions.
14. Cars from Kama Car Plant.
15. In Russia the *procurator* has its offices in regions and towns all around the country. The main function of the 'prosecution service' is 'supervision of the execution of laws'. The Russian prosecution service was formed in 1995, according to its official site, 'as a structurally and functionally independent public authority outside any branch of authority. It shall [for example] supervise the implementation of laws ... [and also] the conformity of legal acts ... supervise the execution of laws by administrations ... and prosecute crimes' (Prosecutor General's Office of the Russian Federation: see <http://eng.genproc.gov.ru/history/> (accessed 12 February 2016)).
16. In 2015 we read news about the late payment of salaries and a number of strikes because of this. Is the rule described by the mayor still valid? Or is it interpreted in such a way that the economic crisis in the country allows the making of exceptions?
17. Lower academic-level high schools.
18. Ten years later we returned, conducted an interview and noticed that this name was no longer used.
19. The pioneering community fund had already been established in 1914 in Cleveland, USA. Since then community foundations have become widespread in North America (Avrorina 2014).
20. For example, the following foundations were active in Russia: the C. S. Mott Foundation, the Ford Foundation, the Eurasia Foundation, the Institute for Sustainable Communities (ISC), IREX, the World Bank, the Open Society Institute and USAID.
21. Approx. €660,000.
22. Interestingly the state programme for foster family support sets the precondition that the family has to have a water closet in order to get a foster child. In the villages closets were very rare before this rule but it seems that many have managed to install a new sanitation system even in peripheral villages.
23. 'A Development and Action Research Project by Lake Ladoga.' It was part of the EU's Neighbourhood Programme and was funded by the EU and Russia.

24. 'Pomor TOS', the name of the region's TOS programme, refers to the historical concept 'Pomor', used of the population around the White Sea, known for their strongly sea-related culture.
25. This entrepreneur was the father of a large foster family.
26. When salaries were very low, a particular job or position could give possibilities for compensation in extra payments or counter services claimed from the customers. Such circumstances have led in many cases to corruption, for instance in getting licences to start an enterprise (see Engvall 2011). Good relations are important in order to avoid this kind of corruption, and if not to avoid it, to find moderate ways to pass it, and when meeting difficulties, to find out the rights one has according to law.
27. One of the main differences is that while LAG has the responsibility for making local development plans, in Russia such plans are not organised. Local projects are not integrated into wider local planning, nor are project activists working together with municipal leaders and business people in order to find a coherent path for development. In any case, social relations are also formed in Russian local projects. Some authorities also point out the need to get support from citizens' networks, not least in implementing social policy programmes. For instance, the foster parents of one municipality were organised into a club, which was finding ways to cooperate and to mediate their needs with the authorities.
28. Most likely such enterprises are not formally registered in order to avoid taxes.

7 The other Russia

‘Everybody hopes that the state will solve all their problems, but that won’t happen, the state does not build anything.’

(Local head, Anastasia, 2008)

In this book we have met people from the ‘other’ Russia, staff in local administration and people engaged in small businesses, local women and men trying to cope with the next day and people with entrepreneurial spirit, acting for a better life and well-being. We have seen that such efforts may contribute to their own family’s life, and also bring improvements to the community where they live. However, one question still remained to be answered: where is the ‘other’ Russia? Even if the answer seems quite simple, we first have to take a look at how the Russian political and economic system works, how it affects regions and localities, and how it brings about and reproduces differences and similarities across the country.

The Russian economy has been described as a politicised economic system (Oxenstierna 2015). It is a system in which political leaders of the central state make strong interventions in the rules of the economy and in those formal institutions which steer the country’s economy. The economic system is roughly divided into three parts: the oil and gas industry (rent creating sector), the sector dependent on incomes from the oil and gas sector (rent dependent sector) and the new private sector, consisting mainly of small and middle-sized enterprises including private farms (Gaddy and Ickes 2015; Oxenstierna 2015: 100). Regional policy involves a considerable redistribution of gross national production between the first and second of these sectors as well as between regions. Practically all Russian regions have considerable debts and they have to work with tight budgets.

There are some exceptions from the average type of region. The rich regions are Moscow, some other metropolitan centres and the energy-rich regions. Regions in a type of their own are also the regions with ethnic conflicts in the territories around the Caucasus. If these regions are excluded, no big differences exist in regional incomes per capita between regions (Zubarevich 2015a: 185).¹ A further similarity is in the pattern of living standards across Russia. While there

are a number of rather rich people, the vast majority of Russians are either poor or live close to the poverty level, working for low salaries and securing an important part of nutrition from their plots. Somewhere in between these groups is the Russian ‘middle class’.

Twenty per cent of the Russian population lives in relatively prosperous regions; about 10 per cent live in poorer regions and more than two-thirds live in regions near the average level of development (Zubarevich 2015a: 190). Inequality inside the average level regions is less than that inside the richest regions but still relatively high and quite stable. In such a region there is usually at least one bigger town or city, and some industrial towns, many of which lost their production plant in the 1990s. Some of the towns are ‘mono-towns’ with one important industrial unit and then there are some smaller towns and villages.

How do differences between regions affect the ‘local level’ in Russia? Differences between regions imply that opportunities and possibilities for development will differ in particular ways. For example, the location of the region in the country matters and access to infrastructure and labour vary as well as other demographic factors. Russian regions differ, in addition, with regard to their oil and gas resources, when it comes to minerals, forests and arable land and also with respect to human resources.

The data

In this book, most of the field work has been carried out in smaller towns and villages, and to a minor extent in mono-towns. Also, some interviews were conducted in the regional capitals of the localities studied and at ministries, other regional authorities and expert organisations, with the aim to get information about general developments at the local level. In three regions, the Archangelsk *oblast*, the Republic of Karelia and the Nizhny Novgorod *oblast*, data were collected on several visits observing changes over 10 to 15 years. In the Leningrad *oblast* and the Republic of Sakha only a single or a few fieldwork trips were made.

In the Nizhny Novgorod *oblast*, there is the metropole of Nizhny Novgorod, with more than one million inhabitants, along with a few mono-towns. There are several administrative districts with smaller towns and villages. There are also places which are closed to foreign visitors due to military production. The field work included three communities in this region.

In the Archangelsk *oblast*, apart from the regional capital – the city of Archangelsk with about 350,000 inhabitants – there is one military production city, Severodinsk, with close to 200,000 inhabitants but closed to foreigners. There is also one rather big town, situated near to the two others, by the White Sea in the northern part of the region. The oil-rich autonomous *okrug* Nenets has not been subject to a field trip for this book. All in all there are eight administrative districts in the Archangelsk region. Field work data from five of these districts has been used in the present book.

Karelia has a single city, Petrozavodsk, with about 275,000 inhabitants in 2015. There are a few mono-towns and villages with an industrial plant, but many of them are closed because of the restructuring of the forestry industry in particular. Karelia has a long common border with Finland. The fieldwork data are from villages and one small town in three administrative districts.

From the Leningrad *oblast*, data from one community located far from St Petersburg are included in this study.

The Republic of Sakha (Yakutia) was studied during one field research trip in 2005. The region's gross domestic product (GDP) is in fact higher than average in the Russian regions. There we face the situation that the riches in diamonds etc. are not visible in the everyday life of the local population, even if they may have contributed to maintaining the necessary infrastructure. In this case interviews were collected from one northern community. Since also there are communities in richer regions which do not benefit from regional wealth, the content of this book is in some respects relevant to those regions as well.

The concentration on smaller towns and villages means that poverty levels generally appear higher and incomes lower than in larger towns and cities. Also, a smaller part of the population is counted as middle class. The localities in this book are similar to what Zubarevich describes as the 'third Russia'. She argues that in such places, Soviet values and traditions largely prevail and the population is rather passive (Zubarevich 2015a: 196–7). Some of the places visited fit into such a description. However, in this book we have seen that there are also places where people are rather active, and where social change is taking place. Sometimes it is a matter of continuing practices from the Soviet time, for example women's councils. In some places the local people have started new kinds of activities, such as private firms and TOSs. We have also seen other kinds of organisations or networks at the local level, for example parents' organisations, clubs for foster families, clubs for parents of disabled children and a florist club.

Resource dependency and the politicised economic system

The aim of the Putin regime has been to regain control over oil and gas revenues as a way to strengthen the state and maintain social stability after the chaotic 1990s (Gaddy 2007; Roland 2006; Ericson 2009). As successful as this policy seemed to be up to the fall of oil prices in 2014, it also reflected an acceptance of Russia's continued dependence on natural resources since the beginning.

Russia is a resource-dependent economy and the policy of extensive growth of the Soviet era continues also in post-Soviet Russia. One feature is the tendency to increase output through resource mobilisation rather than by increasing productivity. We have seen how the Soviet government tried to get out of this trap through attempts at reform under Khrushchev, Kosygin and Gorbachev. Medvedev's attempts to modernise Russia can be added to this list.

The functioning of the politicised economic system means that many structural challenges and available choices are similar across Russia. As the oil and gas resources were renationalised and political power was recentralised at the regional level, the Putin administration succeeded in redirecting profits from the oligarchs to the state budget. Renationalisation was completed by also transferring forests and fishery waters from regions to the federal state property, which among other operations weakened the power of regions in relation to the federal state. As described above, profits from oil and gas were used to build up a fund to be used for stabilisation purposes (Appel 2008).² In 2005, the Kremlin launched national programmes aimed at developing centre–regional cooperation to be implemented by the governors.³ The main elements of this policy were to regain and keep control over the oil resources and then use the oil money for socio-economic development in the regions. In 2014, taxes and custom dues from oil and gas amounted to 51 per cent of the federal budget (Zubarevich and Gorina 2015: 7, 11–12).

By and large it appears that the policy for development has been rather successful. Federal funding has been flowing down to the local level in several ways. Our data verifies that over a period of more than five years, building activity has experienced a boost in many small localities, including family houses as well as larger buildings for veterans and workers among others. In addition to new houses, even more renovations are under way. Also, larger building areas among other developments on former state farm land have been taken into use. With varying priorities, roads and pavements have been repaired, and schools and houses of culture have received their share of increased state funding.

Some social policy programmes have been especially important for local development. Young professionals get remarkable subsidies when they settle down in rural areas – including central settlements. The foster family programme has enabled many married couples to take in foster children and to earn a moderate income in relation to local conditions, making it possible to renovate and often extend their own houses. Also, kindergartens are being built again in small towns and villages, after a twenty-year break.

The increase in funding, which occurred after the National Priority Programmes started to be implemented in 2007, continued until 2014. Since 2014 Russia's state budget has been heavily hit by the critical situation of the Russian economy.⁴ Although most of the growth in 2000–14 could be attributed to oil prices, there was also evidence of some increases in productivity in other branches of the Russian economy.⁵ Russia's heavy dependence on world energy prices had motivated the Medvedev government to encourage the diversification of the economy – for instance, business-friendly taxes were adopted in the manufacturing and service industries.⁶

The downturn of the economy started before the Ukrainian crisis and the annexation of the Crimea. In 2013 to 2015 growth stagnated while important reforms were to be financed. This led to a budget deficit on both the central level and in almost all regions (Zubarevich and Gorina 2015: 17). To manage the situation, regions have borrowed money from the federal level and from banks.

The federal level tends not to be involved directly in the local political life (Ledyayev *et al.* 2014). This means that the non-strategic sectors get relatively free space to develop at the local level. As a result, these sectors have often contributed to the local expenditures and their payments into the state budget have been rather low. The relatively low revenues from the municipal and district administration's own resources further reflect the difficulty in extracting the necessary taxes from local firms and populations.⁷ As energy prices go down, the Russian Stabilisation Fund is on its way to being drained of resources. Consequently, financial funds for local projects are likely to vary depending on fluctuations in energy prices. This shows, once again, how the funds available to local communities are affected by the structure of the Russian economy and the continued high dependency on natural resources.

Inflation and rising food and energy prices

During the last couple of years, the Russian population has had to contend with rising food and energy prices. Since 2011 the annual consumer price inflation has had a significant impact on ordinary people. Consumer prices were rising by 15.1 per cent in 2014, i.e. more quickly than overall inflation, which was recorded at around 11.4 per cent. Rising living costs are worrying, given that poor households already devote approximately 75–80 per cent of their income to food and fuel. The ban introduced by Russia in August 2014 on the import of most foodstuffs from the European Union and North America caused pressure on consumer food prices, especially for meat, fish and dairy products (Ovcharova *et al.* 2015: 3, 5–6; Ovcharova and Biryukova 2015a: 4; Rosstat 2015).

In parallel with the rising cost of food, consumer energy prices have been increasing as the government cuts subsidies and passes growing import costs onto the population. Consumer prices for energy in Russia have increased at least until early 2015, despite the country being a net producer of energy and despite falling prices on the world market. As with food, it is the poorer households that are disproportionately affected by energy costs in the absence of effective social protection mechanisms that would channel support to them. The less well-off also tend to be most exposed to energy shortages.

On the other hand, the effects depend also on the reaction of local people in the longer run. As regards food consumption, plot farming has been the traditional Russian answer in difficult times. One can assume that the new generation in the 2010s is less motivated and less capable of restarting and increasing production. Practising animal husbandry especially requires training which Russian children have no longer received in their childhood, as did the previous generations. For Russian professional farmers the sanctions mean an opportunity to enlarge production, first and foremost in cattle production. The country's self-sufficiency is low and sanctions act as protection from the production in the West. The problems still to solve are the weakly working institutions which should facilitate the access of farmers to land property, consumer markets and various other necessary elements of production chains.

Regional dimension of Russian policy

Regional inequality

Like all aggregated figures, national- and regional-level statistics on poverty and welfare disguise significant diversity in well-being. About 400 mono-towns are scattered around post-Soviet Russia which were built around one or two factories during the Soviet period (Oxenstierna 2015: 98). Their residents have endured particular hardship while the factories have struggled in the face of market pressures and international competition. Such challenges are evident in interviews of local people as well as the fact that they crucially affect a significant share of the population in these towns. Respectively, significant urban–rural discrepancies exist across the regions and have a crucial impact on personal income levels, as well as on the provision and quality of healthcare, education and welfare services. Such large variation inside regions requires the disaggregated study of well-being and, as regards policy measures, targeted anti-poverty responses.

We have seen that the Russian government has given priority to a number of regions in different years. For example, investments were channelled to Sochi in preparation for the Winter Olympic Games that took place in January 2014. Accordingly, some cities are getting priority to prepare for the world football championships to be held in Russia in 2018. Resources have also been allocated to the Crimea. In 2015, it appeared that places with importance to the arms industry were given extra funding. Federal programmes have to some extent been devoted to the development of weaker regions, for example Siberia and the northern Caucasus (Zubarevich 2015a: 199). Some transfers to poorer regions take place via direct involvement by the state energy company Gazprom, which finances local and regional projects.

Each region has a governor.⁸ Governors face similar situations in terms of financing their obligations. The regional policy of transference from the richer regions to the poorer ones means that the governor of an oil-rich region is not necessarily much better off than the others. When resources are allocated from the federal level, part of them are earmarked for specific tasks (*subventsii*), and the control is strict. If rules are not adhered to, governors can be fined.

In 2012, economic inequality between Russian regions appeared stable if compared to 1998. This was before the upturn in oil prices which contributed to increased wealth in oil-rich regions. Russian policy has counteracted this tendency. Additionally, some other policy measures have supported regional policy, not least the National Priority Programmes.

In 2012 Putin began his third term as president and it appeared that governors faced increasing difficulties as more responsibility was transferred to the regions. The transfers of responsibility were not generally accompanied by higher financial transfers from the state. One example is the series of wage reforms in which salaries for teachers and doctors were increased, and later on for social workers and employees in the cultural sphere as well. Regions did not receive extra funding from the federal level for this reform. Each governor had to find additional

resources to cover the increased expenditures. Such situations put pressure on governors, and if they are unable to find new resources from their regions, they might have to borrow from either the state or from the banks to fulfil their obligations. Informal conversations talk about political conditions connected with the distribution of state resources, how governors have to secure at least 60 per cent of the votes for United Russia in order to receive additional federal money, and how mayors on the district level have a similar dilemma to be resolved.⁹

Redistribution of federal incomes has reduced regional differences. Great differences, however, are to be seen within regions, which are higher in richer than in poorer regions. The simple reason is that the better-off are richer than elsewhere, while the poor are as poor as anywhere. The oil and gas industries play an important role in particular communities, creating well-paid jobs and providing large revenues for regional budgets. The domination of such segments and the formation of single-industry development does not mean that the region as a whole will benefit. For example, the city of Tyumen is wealthy, although it is not apparent that other communities in the *oblast* benefit from being part of an oil-rich region (Rudenko 2014). This is to say that varying inequality, between people in different communities, is one of the new features in Russian society. If inequality is low it might be because everybody is poor. That was common in the 1990s, simply because nobody had been able to benefit from the transformation of privatisation in any major way or to start some economically beneficial activity. Except for the main oil and gas extracting regions and Moscow, and also a few poorly developed parts, there are no great differences in per capita GDP between most of the Russian regions.

It is not clear whether the deteriorating economic situation in Russia since 2013 will lead to a weaker federal redistribution policy, implying a growth in the economic disparities. The 2009 economic crisis hit metallurgic and heavy-engineering company towns such as Magnitogorsk and Nizhny Tagil. At that time the transfers from the federal budget to the regions were increased by 34 per cent (Zubarevich 2015a: 187). This helped to neutralise the negative effects. As the economy fell, inequality fell as well. In 2012–13, transfers from the federal budget to the regions were decreasing. However, when oil prices were falling in 2014–15, transfers were kept the same (Zubarevich and Gorina 2015: 11, 40). This means that the oil-rich regions had to bear the losses from the reduced incomes from oil, but the other regions were not as clearly affected because they continued to benefit from transfers. The federal investment policy, on the other hand, tends to have a poor equalising effect, because investments flow mainly to oil- and gas-extracting regions, big cities and to the places with major federal projects underway. Nevertheless, we have seen results in terms of new federal roads on our field trips. Compared to the situation in the Archangelsk *oblast* in 2003, main roads through the region were considerably improved in 2014.

Social policy and its regional dimension

Significant proportions of the population live on incomes just above or below the poverty line, making poverty statistics highly susceptible to economic

fluctuations.¹⁰ In 2007–13, official poverty rates in Russia remained stable at 11–12 per cent (Rosstat 2015). This is partly due to the indexation of poverty lines for inflation, but does highlight that a section of the population lives in entrenched, chronic poverty.

Russia has used budgetary reserves to raise pensions and social payments at regular intervals. Such moves as increasing pensions by 35 per cent in 2010 have ensured that real disposable incomes actually rose, despite the economic downturn resulting from the 2008–9 financial crisis. A considerable part of social transfers has gone to benefits for families without recognition of ‘needs’. That is valid for both occasional social services and regular payments. Up to 2012, expenses for social policy in Russia were adjusted to inflation rates (Ovcharova *et al.* 2015: 2). From 2013 to 2015 adjustments were not made even if inflation rates were increasing (Biryukova and Bardanyan 2015: 2–3).¹¹ Nevertheless, despite the falling GDP leading to considerable cuts in most budget expenses for 2015, the budget for social policy was increased in nominal values.¹²

The financial distribution of social benefits has been the main means of regulating poverty. Resources allocated to poverty relief have generally, however, been insufficient when compared with the fact that payments for social benefits do not cover basic expenditures. It appears that social policy has not been primarily devoted to combatting poverty, neither at times of economic growth, nor during times of crisis. Social support is instead seen as a form of compensation for increased costs (Round and Kosterina 2005; Zubarevich and Gorina 2015: 52). Although the National Priority Programmes included resources to social policies in Russia, they were not really about improving the situation of the poor (Cook 2011). Birth grants, for example, are contingent on child-bearing only. Policy changes further increased birth grants and family allowances, incorporating clear incentives for second and third children. The ‘mother’s capital’ programme is perhaps the most important ingredient.¹³ Above all, the National Priority Programmes and demographic policies have entailed new interventions in employment, housing and healthcare in order to reach the state’s demographic goals (Cook 2011). These national policies are targeted towards women, young children and families across Russia. It is difficult to judge whether these programmes are to benefit some regions more than others, but there are those who argue that the ‘mother’s capital’ reform has benefitted mostly the ‘middle class’ in the cities (Borozdina *et al.* 2016). However, our fieldwork gives evidence that the local population in villages and small towns have benefitted from ‘mother’s capital’ and from other federal programmes. Differences exist between communities as some programmes – for example, the programme for young families – require participation and even co-funding by local authorities, and their activity varies from one community to another.

Russian administration has two levels of socio-cultural expenses, those at the federal level and those of the regions. Some expenses such as pensions are paid directly by the state. Others are paid out of regional budgets. The Russian regions have been converging in terms of all living standard indicators: incomes, salaries and wages, poverty rates and consumption, especially since

2005 (Zubarevich 2015a: 189). Seventy-five per cent of expenses for social policy are paid by the state, out of that the largest part goes to secure payments of pensions, while the regions have to finance the bulk of expenses for health and education. There are a few reasons why social policy contributed to decreasing inequality between regions. The main part of pensioners were poor who benefitted from a reform leading to higher pensions (Zubarevich and Gorina 2015: 11–12). The lower pension age in the north implies that a large share of the additional money went to northern parts of Russia. Wage inequality was reduced through wage reforms increasing incomes to budget-sector employees who have been subject to rather low wages, first with respect to teachers and doctors, then to social workers and cultural workers. An additional reason is that the share of public sector employees is high in regions with a shortage of other jobs.¹⁴ The social benefit system also includes benefits which tend to go to poor regions. However, only a small part of benefits are targeted at low-income families: a subsidy for accommodation plus a minor child benefit of about 100 roubles per month per child and, since 2013, additional monthly payments for families with three children or more (Zubarevich and Gorina 2015: 51–2).

Transfers have been rather stable in monetary terms during 2013–15. According to our interviews in four different regions, there was no clear effect of the economic crisis on social expenditure to be seen at local levels. Neither did we hear about any dramatic impacts of sanctions, although ordinary people apparently were affected by the rising prices and the lack of some products in shops.

In 2015, according to Oxenstierna (2016: 69), 60 per cent of the Russian reserve fund was to be used to finance the budget deficit. The temporary solution of financing social policy through the reserve fund provides a warning: one should work on the basis that there will be more cuts in social expenses to come, and that this could be harmful to parts of the Russian population. With respect to social policy there were a number of options, as well. A new federal law from 2015 allows the outsourcing of social care, but the consequences are to be seen later at the local level (interview, leading officer, 2015).

Russia has relied on income from oil for funding the general welfare system. In 2015, as the oil price went down, the Russian budget was running with a deficit. Poverty started to increase again: in early 2015, according to official figures, 15.9 per cent of the population were poor, which can be compared with 13.8 per cent in the previous two years (Ovcharova *et al.* 2015: 6). Another tendency was that people were using increasing percentages of their income for food (Ovcharova and Biryukova 2015a: 5–6). Although price decreases in the price of oil did not affect the budget, it contributed to increasing inflation rates and consequently decreased the real value of social policy measures.

Local politics matter

During the Soviet period, local authorities were under party control. The first competitive elections to local councils were held in 1990. Although the

independence of local authorities was asserted through a law in 1991, local administrations were still to be appointed by regional governors or directly by the president. A new law on self-government was adopted in 2006 and two levels of local administration were launched, both with the right to a budget: district (*raion*) and village levels (see Chapter 2).

The procedure for choosing a mayor at the local level was changed. Three options were allowed. Mayors can be appointed by the governor, elected by the local population or chosen by ‘chambers’. A tendency towards more appointments can clearly be noted in Russian cities (see Buckley *et al.* 2014: 98–102).¹⁵ The regions we have studied show different models in this respect. In the Archangelsk region, mayors have been elected by the population. This means, for example, that mayors come from different parties. It has been customary to assume that affiliations other than to the ruling party would cause trouble for the locals in charge, for example that they would receive less resources from the federal/regional level. Nevertheless there are examples of active politicians at both the local and regional levels who represent parties other than United Russia. For example, in one of the communities, the mayor who was elected in 2010 and again in 2013 was not a member of the United Russia Party, as was also the case with some of those interviewed at the sub-local level administration. In Petrozavodsk, Karelia, the candidate of the opposition party won the mayoral election against the candidate from United Russia.¹⁶

Relative freedom of governors to set priorities

As long as a governor is loyal and active and refrains from doing ‘crazy things’, he or she has some freedom to set priorities, because in the allocated budget there is a section that can be used freely (*dotatsia*). The reform also gave regional administrations greater discretion in determining the size of subsidies they allocate to the municipalities inside their regions. In Karelia, for example, the governor chose to give a large sum of money (50 million roubles) to develop one particular community each year, on the basis of a competition. Such a prize can remarkably facilitate cultural activities and infrastructural improvements.

In some regions, sports centres (FOKs) have been created by means of a partnership between the region and businesses. As a result, in 2014, all in all about 25 FOKs had been built in one region which we studied, one of them in Lopatino. Some of them are in rather small towns. In another region, there are similar centres, and some are funded by Gazprom, which has also built ice-hockey rinks in many districts. The Karelian republic has a special programme up until 2020 when it celebrates its 100th anniversary. All the communities are participating, which means that they have to plan investments in the form of co-financing (interview, mayor, 2014).

In the Archangelsk *oblast*, the Ministry for Local Initiatives, which was created in 2011, reflects a particular interest of the governor in promoting local initiatives. This has resulted in the development of TOSs all over the Archangelsk *oblast*.

Similar ministries exist only in two other Russian regions and a state committee with parallel functions has been created in Karelia.

Both Archangelsk and Karelia along with other regions in north-west Russia have opportunities to benefit from international cooperation. In this sense the situation is somewhat different to many other regions. On the other hand, the examples in this book highlight that cooperation with Sweden, Finland or Norway does not concern so much the volume of collaboration – even quite small contributions can make a difference. They can encourage local people in Russia to act, to take initiatives to improve local life, not only for themselves but for a group or the community as a whole. One example is a visit to Sweden which an entrepreneur made, where she saw the snow hotel in Jukkasjärvi, and took this idea back to her home village. She had received money for travel, but all other funding she collected from local sources and, indeed, realised her vision and built her own snow hotel. This exemplifies how a small contribution can lead to a remarkable innovation which is not dependent on location but more on personal capacity. It is as such providing counter-evidence to the perception of Russians, especially in the rural regions, as being passive.

The regions have handled problems somewhat differently. Debts were 40 per cent in Sakha and 90 per cent in Karelia of the region's budget revenues in 2015, being 34 per cent on average in Russia.¹⁷ There were differences between regions as regards which expenses were cut but most regions continued to increase socio-cultural expenses also in 2015.¹⁸ Differences in policies reflect the circumstances that governors actually have a chance to make some choices in how the transfers to the regions are used.

There is also the possibility of receiving subsidies in the form of grants. However, this requires some form of co-financing of regions in accordance with specific rules which vary depending on the type of project. At the local level, the model seems to be that entrepreneurs provide some material resources while the local population provide some work contributions for free.

It appears that regional governors' problems in fulfilling their obligations will be transferred to lower levels, once again without allocated resources. Autonomy is considerably broader at the local level than at the regional level. Mayoral elections are more often competitive than regional legislative elections, as indicated by the fact that several opposition candidates in mayoral elections have been able to defeat United Russia candidates. Simultaneously, communities have been saddled with more obligations than before. In 2012, only 2.5 per cent of districts could finance their responsibilities from their own resources (Buckley *et al.* 2014).

Each place like an isolated island?

Although the rather authoritarian nature and hierarchic structures of the Russian political regime, as well as weak and ineffective law enforcement, imposes limitations on politics, local actors retain a range of freedom and autonomy, implying that local politics matter. Naturally, the wide range of economic, social, territorial

and other differences between Russian communities leads to a considerable variability in local political processes and power structures.

What brings similarities to local politics lies partly in the informal structures, as most places have similar patterns of traditions. Visiting a house of culture in any village, concerts on celebration days, local shops and kindergartens, seeing patriotic symbols on the walls and in the gardens, and entering buildings of the local administration, all make you feel you could be anywhere in Russia. There are similarities in local manners and initiatives in different regions: in war memorials, the president's picture on the wall of each classroom, and in the style of decorations in the rooms and corridors, in furniture, and in entrances to blocks of flats. More recently have emerged fountains, playgrounds, trash-cans and new panels on old buildings. One common feature is also the relatively well educated population even in peripheral places, women in administrative positions, and active teachers and doctors, who often appear to be the ones who start local groups.

On the other hand, each community and even each village sometimes feels quite isolated. Local people seem to be occupied with trying to work out how to manage the most urgent tasks, without learning from others. Neighbouring communities within the same *oblast* know very little of each other's ways of handling local circumstances. The spreading of information and knowledge appears to be very limited. For each of them hierarchical structures take a lot of attention, at the expense of horizontal links to one another. There is a feeling that it is the same everywhere, while at the same time each and every community is isolated. The latter factor explains the differences in solutions, while the former tells you that you are in Russia; even if concrete measures can vary quite considerably, patterns are similar.

So why are there such differences to be seen between communities, even between neighbouring communities which experience similar conditions in terms of geographical location and access to natural resources? In Chapters 3 to 6 we accounted for attempts by entrepreneurs, administrations and ordinary people to improve their lives or to cope with a difficult situation; we described successes as well as failures. One common feature of the explanations provided through the interviews is an emphasis on personal factors. For instance, individuals trying to set up businesses blame particular bureaucrats, the local administration or some powerful entrepreneurs for the barriers they have faced. Or, for that matter, they mention the strong, stubborn individuals at the neighbouring community's administration as a plus, leading to the better performance of that community than in their home community. Yes, individuals are important. We often heard judgements like 'someone is corrupt' while 'somebody else is honest', although judgements of particular persons varied between respondents as well. What is clear is that attitudes towards individuals in powerful positions matter. It is about trust. You simply do not believe that you can follow 'a successful example' from another place, because you think that the administration is much better than yours or 'they have a better governor'. You cannot trust rules and the enforcement of rules if the people in charge are not to be trusted. It is about people and the nature

of decision-making. Hierarchical structures have survived, and you are always dependent on some decisions 'above your head'. Getting back to North (1990), this is about informal institutions.

In general terms it might be argued that reforms have implied new possibilities for the Russian population, and that these are similar across Russia. Federal policies have generated changes, reforms and decrees which embrace all of Russia. The outcome of these changes is uncertain and varies from place to place because of the arbitrary enforcement of rules and regulations and because of informal institutions. A revival or survival of informal norms depends, among other factors, on the culture of decision-making, on behavioural patterns and on values and attitudes, such as attitudes towards the poor. Nevertheless, we have seen in our interviews how the agency of local people has contributed to breaking with traditional patterns in different ways – they have become active, taken initiatives and used opportunities when such seem to exist.

Thus it appears that activity at the local level matters. This is evident because the results are to be seen in the varying situations of communities. Neighbouring communities even in the same region manage quite differently. One community takes part in 54 federal programmes, builds houses and roads and renovates the administrative building while the community next door is passive. Such differences in performance can be seen at the village level as well.

The local administration often has an important role, because it is near enough to local people to have a genuine interest in improving the situation in the community. We have seen that the activities of local administrations matter, both at the district level and at the lower level as well. One local head complained that his contacts were not good enough. We do not know if this explains everything. He had been in charge for 24 years when we met him in 2013 and was a member of the Communist Party. But he was also sceptical of reforms and refused some opportunities that were offered, because they promised too little money in his mind. In a successful community those in power were rather well educated. The mayor was a lawyer. The vice-mayor and her predecessor had both had a university education in cultural sciences. But from time to time the local heads there were also in desperate situations. Looking at the more successful communities we have to pose the question of what comes first, personal or political contacts or agency, and what is the role of the education or skills of those in power? Probably they are needed simultaneously. Active contacts give information that may lead to extra resources and promote agency, but also agency on behalf of local communities can lead to some results that capture the attention of the governor, facilitating support from the regional level.

Civil society

The reforms of the Soviet system had already given in the early 1960s some space for such civil societies as workers' unions, women's clubs, war veterans' associations, writers' and artists' associations and the like. These continued their

activity after socialism with varying intensity, and new civic organisations emerged in addition, experiencing both ups and downs.

This book has highlighted actions at the local level, where one can find local initiative groups, TOSs and different kinds of NGOs and development foundations, among others. What kind of processes are at stake at the local level? Is this about a general development of civil society? In Russia, civil society is presently hesitating between two rather different developments. On the one hand, civil society is growing spontaneously, in line with Putnam's (2000) theory, where choirs turn into development groups. The idea is simple. People get together to start something important and 'innocent' – unpolitical, like building a children's playground or to forming a group of parents with disabled children. When people get together, they start to discuss other matters, more general – and political – problems in society. One activity leads to the next and people feeling empowered continue to take more initiatives which lead to societal changes. The process of change is in train. The other tendency, which is promoted by the government and some regions, is to solve local social problems in order to improve the quality of life at the local level. Whatever the political motive behind such promotion, it leads to making the local population more satisfied as they can see concrete improvements in their environment – a renovated house of culture, a new walk-bridge, pavements. It also gives them proof of being able to change things with their own activity and a willingness to take new steps in the near future.

Civil society is generally recognised as undeveloped or less developed in Russia compared with Western societies and even with most of post-socialist Central and Eastern European societies. Although civil society was indeed growing in the 1990s, doors have been closing again after Putin's accession to power. Recent development, especially after the annexation of the Crimea, make such arguments even stronger. This is not that self-evident, however, when one thinks about the huge challenges which Russian citizens have met since the beginning of the 1990s and how they have succeeded in finding practical solutions for their needs. This was not possible without working social relations – at least – between a limited set of people. So, what do social scientists in fact mean by the concept of civil society?

According to Alfred B. Evans (2013: 103) the mainstream thinking in social sciences is that civil society is the sphere of activity that is initiated, organised and carried out primarily by citizens and not directed by the state. He adds also that 'We see civil society as located between the family and the state, and as distinct from the sector of businesses that are oriented primarily toward making a profit.' An important reason for the interest in civil society is that 'a thriving civil society exerts a favourable influence on the growth and consolidation of democratic political institutions.'

There are different points of view on civil society by different people. Many Western scholars and politicians are inclined to a one-sided view and reduce civil society to protest movements, which are aimed at social and political mobilisation against the ruling elite, meaning in Putin's time a mobilisation against

anti-democratic actions by Putin's regime. Nevertheless, the President has himself wished to get assistance from civil society to better reach the government's political aims, and to integrate Russians to support and implement the government's practical policy. Of course, civil society is much more than such activities. First and foremost it is the social space where people are in contact with each other, communicate and formulate contested opinions to find common goals and ways to go forward. They make practical efforts together, be it gardening, exchanging commodities, renovation of the club house or establishing a boxing association or a women's club. They learn by doing these things. Perhaps at some point in time they will want to go into politics and participate in demonstrations against the government or, alternatively, they will want to start a business to make money.

Russian society has specific features which complicate the implementation of grassroot-level projects. Russia has a long tradition of strong and centralised control and command by central authorities on local action. However, the positive reception of the LEADER method (see Chapter 6) proves flexibility among the rural population and manifests existing opportunities for local activity. Secondly, the patriarchal culture is a heritage from the patrimonial ruling pattern in Russia for centuries (Gerner 2011; Weber 1921–2). On the other hand, patrimonial power is a reason for local activism which is necessary for taking care of the practicalities of life. For example, women's ability to find solutions to everyday problems is partly a historical heritage from the Soviet time (Sätre 2014a). Thirdly, partnerships have in Russia mainly been concerned with the interaction between the administration and large-scale enterprises. Practical activity in the form of charity funds, foreign-funded projects and TOSs indicate much larger options for partnerships when local people and their associations are accepted as partners for both administrations and enterprises. Fourthly, networking in Russia is based more on personal relations and less on formal civic organisations than in Western Europe.¹⁹ This state of affairs continues and will probably cause problems in preserving and developing in the long run the achievements that have been attained. However, at least on a local level the participants in projects and project administration express the need and also the plans for new registered organisations to run projects with greater autonomy. Whether they might also develop into protagonists and mediators of local interests and defenders of the positive results that have been achieved is to be seen. In any case, these kinds of social organisations work for new initiatives as well as for continuity of local action and are able to utilise the new funding opportunities.

At the turn of the crisis

Our data give a lot of evidence of strategic agency in Russian villages and small towns after the turn of the century. The Russian economy experienced major structural changes which had dramatic consequences in such places. Bankruptcies of Soviet-type large-scale enterprises took place, and new companies were

established to occupy the empty space which followed and to seize the opportunities offered by the rising market economy. It is sometimes said that it is more difficult to start a business now than earlier. However, new entrepreneurs emerge every year and quite a few of them manage to run a business, even in the smaller communities. One point of view is that in the 2010s entrepreneurs have more options, that opportunities are more equal in a regional sense. New governmental programmes have had clear positive effects, and not only within metropolitan areas. Private-public mixtures and project funding are becoming more widespread, which might mean increased flexibility and decreased negative consequences brought about by the hierarchic administration in Russia.

Local administration has stabilised during ten years following the reforms. The privatisation of local agricultural land has passed its peak, which offers opportunities to reorganise land-based activities in housing as well as in business and agriculture. The authors' experience is that many local authorities are very willing to support the local economy and grassroot-level activities, but they have very scarce resources. To solve the acute economic and social problems in their communities, they try to find ways forward using sponsorship and, increasingly, project-type funding.

Concerning the views of how passive people are, the present research provides evidence of the opposite tendency. Studies of foreign experiments, the SIDA and Ladoga projects, and above all the regional TOS movement reveal a potential for activity among the local population. Each of the established projects needed an enthusiastic leader and a group of active participants. They had the capability to implement projects. To sum up, this local activity strongly indicated that it is possible to carry out successful local projects in Russian conditions, and to facilitate the creation of social capital and empowerment.

To interpret what is taking place on the local level in Russia, one needs to go further to understand the logic of the economy in the country. The prevailing economic system does not follow pure market logic – entrepreneurs have a lot of problems other than how prices and markets of their products fluctuate, or what the credit rates and salary levels are. The Russian state has a strong hold on the economy both through various controlling measures and because of large state-owned businesses. A major proportion of business people work on the basis of public orders and the state's authoritarian character has consequences on the chances for work of local companies.²⁰ Furthermore, Russian local administration is economically weak and needs the state's redistributed funds, and as a precondition for this it needs to be loyal to higher levels of hierarchy.

Another option for the local administration is to have strong private companies which contribute to the local economy both through taxes and donations. Taxes are normally not enough and therefore donations are needed. Discussions with local authorities and entrepreneurs themselves gave evidence of continuous donations to charity and to local development efforts. Local private companies often provide goods from their own production or donate a sum of money. Donors usually follow Soviet traditions, among others providing presents for certain events. It appears that existing local companies frequently contribute to

local social and economic development in some way. Those which do not, seem to have a bad reputation among local people and in some cases this leads to difficulties for the owner. Charity was often promoted, as when a children's home found a local entrepreneur to support its activities (interview, director of children's home, 2013). Development efforts were often directed to the entrepreneur's own home village, as when one TOS received a remarkable sum of money from a local female entrepreneur for building a guest house for local events.

What makes enterprises donate money? This question is in fact a variant of the basic question of informal institutions for an institutional economy. An answer can be sought from the special combination of morality and economy.²¹ Our field study results indicate that norms concerning local entrepreneurs' duty to contribute to local social needs are very strong in Russia. This is the price which entrepreneurs need to pay for good relations with local people and the leaders of the administration. It is not possible in this book to go further into the question of the moral economy in Russia. We suggest, however, that the Russian economy is not only characterised by paternalist and authoritarian features but also by a special type of interdependency between the local economy and moral commitments.

It was 2013 when we saw a military tank emerging at the end of the street on which our bus was driving. It turned and disappeared. This was a town with an arms industry. Not long thereafter, the crisis in eastern Ukraine broke out. Soon sanctions were declared against Russia and by Russia, trade contracted, oil prices fell and signs of a changing atmosphere could be noticed during our visits. Not that normal hospitality had disappeared, but some minor things did take place. After an interview with a district mayor our passports were copied at the request of the local FSB,²² then a regional ministry of agriculture did not accept our request for a visit and a contact person disappeared without explanation – though we later heard she had been encountered no worse for wear. Foreigners had become suspicious.

In the spring of 2013 there had been no problems conducting interviews with social workers in Lopatino. But in the autumn of the same year, we were told that there were new rules and permission was now needed from the regional ministry for social security to interview those working in the social sphere. The reason for this was said to be that information had been abused by some journalists. The first day after our arrival we met Olga, with whom we had conducted an interview four months earlier. She told us she was now not allowed to answer any questions. She also said her work duties had changed since we met the last time, and that she could not discuss her previous responsibilities. It was obvious she was there just because the mayor had told her to meet us. The mayor, however, did not care about this directive. A couple of days later, he called in three social workers, Olga being one of them, to his office. It was clear that they felt uncomfortable – they had been subject to contradictory instructions. They gave answers to some of our very basic questions in a quite formal way, but one of them did not want to be photographed.

We had met with the local head in an urban village, Gagino, in the autumn of 2013. It was the district mayor, Stanislav, who forwarded the contact and he agreed to give us an interview. At this time the local head was open to answering all our questions. In the spring of 2014, we were not able to reach him by telephone. We took a taxi to the village and because we wanted to see more of the place we went for a walk. There was a car following us. We went in the end to the municipal building and waited for the local head. We managed to meet him, but from his question ‘Why have you come again to the village?’ we got the feeling that we were not really welcome.

As regards the economic situation in 2014, only a few indications that the situation was changing were to be seen. Local funding had not yet been cut in the autumn of 2014, and only guesses were hanging in the air about what and how much would be cut. An entrepreneur seemed to be in trouble because of a decrease in business with Finland and Germany, and local people prepared once again to start coping: to decrease consumption and muddle their way through the crisis. A group of Ukrainian refugees had arrived in a Karelian village. They were teachers and were said to have found work immediately. In Archangelsk a rehabilitation centre for children from poor families had been turned into a refugee centre.

In the middle of a meeting with the social pedagogue at a school for mentally retarded children, the headmaster suddenly called and we heard he was enraged. Why had they allowed a foreigner to visit the school without his permission? In another village it was not possible to visit a school because we might have a ‘hidden agenda’, as we heard from the local head. Also it was almost impossible to visit a special school in a district centre: the message was that we should have asked formally well in advance. It all sounded very complicated, but in the end we were suddenly allowed to come.

We felt the changes, this feeling of not knowing what was possible, what we should avoid, what contacts to make in advance. Attitudes towards us were not as open as earlier; questions were hanging in the air: ‘What are we doing there?’, ‘Why are we asking these questions?’, ‘What do we really want to know?’ – and ‘for whom?’

Upon arrival at the ministry in Archangelsk in 2014, we were told that there was not going to be a meeting. The minister had fallen ill. It was suggested that we meet in a café rather than in the office, but then somehow they agreed to see us the next day, albeit without the minister. The meeting with three female officials was good and informative, more like a formal meeting than an opportunity for conducting an interview. Then, at the end when we were ready to leave, curiously the door was locked. After our host made some phone calls, somebody unlocked the door.

The situation is changing, but at the same time we could see that there was a lot going on at the local level. How should one interpret these? What about the golden fish (see Chapter 1) – do people really wait for such a fish to come and rescue them? Do they still believe in it? Is today’s golden fish the oil and gas industry, which will fill the mouths of most citizens without their making any

efforts of their own? We have seen that this industry produces a dangerous imbalance in the Russian economy, with a tendency to neglect non-priority branches of the economy, and causes problematic relations of power and hierarchical bureaucracy. However, we have met many who are not just waiting for the golden fish to visit them: Marina, Fedor, Margarita, Stanislav, the 'Tsar', Ludmila, Vasilii, Elena, Irina, Svetlana, Igor, Ivan, Alexander, Vladimir ... They wanted to create something better for themselves and their families, and they have, indeed, succeeded in initiating wider changes which are ongoing in the communities in which they live. Be that this is happening on a small scale, on the local level, it is not a dream – it is a real change.

Notes

1. The heavy redistribution is reflected in the fact that three out of 83 regions, Khanty-Manskii, Moscow and Yamalo-Nenetskii AO (*Autonomous Okrug*), together contributed more than half of the federal budget (Zubarevich 2015a: 185–6, Figure 11.1).
2. The fund, which was established in 2004, increased rapidly and was split into a Reserve Fund and a National Welfare Fund in 2008.
3. See Chapter 6.
4. As of 15 January 2016, Radio Finland relates on its website that the Austrian banking expert Herbert Stepic calculates that Russian production and investments are 30 per cent down in January 2016 from 2014, and because of inflation Russian households had less money than the previous year for the first time in years. He estimates that State Funds still have a reserve for three to four years. (See <http://www.yle.fi/uutiset/8588495> (accessed 17 January 2016).)
5. Philip Hanson (2015) notes that manufacturing has made some progress.
6. This was particularly clear during Medvedev's presidency. He made repeated statements in which he emphasised the urgent need for the development of small and medium-sized firms (for example in the news programme *Vremiya* on 29 and 31 October 2008). Statements on the need to limit the number of controls and promoting other attempts to remove bureaucratic obstacles have also been noted.
7. This is particularly evident at the regional and local levels as while the more volatile and unpredictable revenues from profits go to the region, the more secure sources of income go to the state (see further Thiessen 2006).
8. Since 2004 the governors are chosen by the president, whereas before they were selected by the inhabitants of the region through regular elections.
9. The share of transfers in regions' budget revenues was in 2015 almost 30 per cent in Karelia, 25 per cent in the Archangelsk *oblast* and 15 per cent in the Nizhny Novgorod *oblast*, which can be compared to the Russian average of 18 per cent (Zubarevich 2015b).
10. Additionally, the poverty line is based on a political decision and it can be moved down or up according to the government's considerations. If the line is drawn down, the number of beneficiaries decreases. That can save budget expenditures and will also bring a bias in statistics.
11. Increased attention on social inequality was reflected in an increased share of the federal budget for social policy, from 51 per cent in 2007 to 58 per cent in 2013 (Zubarevich and Gorina 2015: 7–8).
12. Budget spending by the state on education, health and social policy has since 2013 decreased in a number of Russian regions. In 2015 spending decreased in eight regions, among which was the Archangelsk *oblast* (Zubarevich 2015b).

13. The mother's capital programme was to be ended by the end of 2016, but recently in a speech President Putin announced that it will be extended to 2018.
14. In 2012–15 wages in education, health and social services increased more than average in Russia (Ovcharova and Biryukova 2015b: 8–9, 14).
15. Although some differences between appointed and elected mayors have been seen, according to Buckley and others (2014), appointed mayors are more likely to have governing experience, to be younger and to be female, and less likely to be representatives of local business. This trend does not necessarily mean any change in performance; on the contrary it appears to be difficult to make general claims about the quality of performance in favour of either.
16. She was, however, dismissed in December 2015 by the decision of the city council.
17. In 2015, the figure was in the Nizhny Novgorod *oblast* 60 per cent and in the Archangelsk *oblast* 55 per cent. Budget deficits for 2014 amounted to between 3 per cent in Sakha and 11 per cent in Karelia. Real money incomes declined in two-thirds of the regions, with 5 to 6 per cent in Nizhny Novgorod as well as in Archangelsk. In both Karelia and Sakha it increased by 1 per cent. In the regions where the field work of this book was carried out, unemployment is between 4 and 9 per cent (Zubarevich 2015b).
18. The Nizhny Novgorod *oblast* has increased social expenditure in 2015 by about 6 per cent, incorporating expenses on health, education and social policy. Expenditure on both social policy and education were increased by 5 per cent, while expenses on health were cut by about 5 per cent. Karelia has increased social expenditure by 4 per cent. On the other hand, the Archangelsk region has cut social expenses by 2 per cent. While increasing health expenses by about 5 per cent, it has reduced expenses on both social policy (by 3 per cent) and education (by 8 per cent) (Zubarevich 2015b).
19. The Internet has developed late in Russia and the position of television, journals and newspapers has remained dominant. New survey research results from 1990–2014 shows, however, that communication via the Internet has rapidly increased in Russia, covering more and more all age groups and different types of settlements and regions (preliminary results of a survey by the project 'CoE in Russian Studies – Choices of Modernization', presented 17 January 2015 by Mikhail Chernysh in a workshop at the University of Helsinki). The increasing independence from state-controlled media is an interesting development, which together with the opportunity to distribute information about locally based social innovations among other matters may in the future have a deep influence on the rhythm of Russian society.
20. Going back to the entrepreneur who told that he was denied permission to buy the land on which he had built a house. The reason for the negative decision seemed to be his critical newspaper articles. Another entrepreneur remarked that this is a relative question and depends on what branch one is working with. The construction industry is particularly dependent on public contracts but the restaurant branch for instance is not (interviews, 2014).
21. According to the developer of the new moral economy, Andrew Sayer, the question in moral economy is about norms, dispositions and commitments, which concern interrelations between individuals and institutions, their mutual responsibilities and rights (Sayer 2004).
22. FSB is the Russian Security Service (*Federalnaya Sluzhba Bezopasnosti Rossiskoi Federatsii*).

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