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**THE INTERACTION OF  
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AND LOCAL AUTHORITIES IN  
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## **THE INTERACTION OF GRASSROOTS COMMUNITIES AND LOCAL AUTHORITIES IN RUSSIA**<sup>2,3</sup>

Taking into consideration the underdevelopment of the Russian civil community it is of essential interest to touch upon local communities (known as TOS). Local governments and TOS communities could provide similar services and as such cooperate or compete with each other. Community initiatives could supplant poorly performing government services, or governments could outsource to communities some of its functions. Based on empirical Russian data, collected in the city of Kirov this research shows that the prevailing initial incentive to establish TOS is driven by the prospect of obtaining seed money from the government. We detected sources of TOS advantages over municipal authorities: ratio of costs and benefits, sensitivity to the demands of consumers, social capital, and voluntary nature of TOS. TOS are more likely to emerge in communities where people are sceptical about the efficacy of conventional mechanisms of democratic accountability, and prefer to collaborate with municipal governments on specific projects

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## Introduction

Local governments and local communities can provide similar services and as such cooperate or compete with each other. Community initiatives can supplant poorly performing government services, or governments can outsource to communities some of its functions. Today's Russia features both of these patterns which can be observed in community self-government projects. Communities self-government known in Russia as TOS (*Territorialnoe Obshchestvennoe Samoupravlenie*) which are an officially recognized institution which Russian provides for the implementation of local community initiatives. Established in Russia in the early 1990s as an apolitical form of community participation, TOS were expected to facilitate civic involvement in local affairs and pool the resources of government and civil society. Our paper assesses the performance and efficacy of this institution by using data collected in the city of Kirov. TOS are tools to improve environmental conditions and living conditions, and have been transformed into institutional structures which significantly expanded the scope of their activity. Today TOS include improving residential buildings and surroundings, supporting vulnerable social groups in the community, submitting plans and proposals on community development to local governments, assisting police in maintaining local safety and security, monitoring the performance of local utilities, and organizing recreational activities. (Shagalov, 2014).

The level of the civic engagement in Russia is low. Taking into consideration this underdevelopment of the Russian civil community (Yakobson et al., 2011) and the urgent need to fill the vacuum of civil paternalism arising as a result of the Soviet regime (Vihavainen, 2009), the importance of TOSs should not be erroneously deprecated. International experience shows that community grassroots involvement in local governance and participation in community affairs can facilitate community development (Putnam, 1993; Levi, 1996; Krishna, 2002). These communities, established by local citizens of their own free will in order to realize their initiatives, perform functions, some of which intersect with the responsibilities of the municipal government (Shagalov, 2014). Thereupon, it is important to understand what part TOS play. What prompts people to form a TOS? How essential are grassroots initiatives in organizing TOS (are TOS demand- or supply-driven)? What are TOS comparative advantages over local governments? What are their advantages? What factors contribute to TOS efficiency?

For several years the performance of TOS in the city of Kirov attracted the attention of the higher federal authorities and experts. There are over 200 TOSs in Kirov (pop. circa 500,000), involving 4% of city residents and providing services to over 25%. Research into these communities shows the economic and social aspects of their establishment and their experience.

In this paper the current state of territorial self-government communities within the local government, and their contribution into well-being of the local citizens is investigated. We are taking advantage of a large number of TOSs operating in the same city and hence in an identical environment while still producing different outcomes. This enables us to conduct statistical analyses to test various hypotheses about the creation, operation, and factors of the success and failures of TOS.

As hypotheses, the following assumptions are made: the sources of TOS advantages are social capital; the ability of the communities to mobilize and consolidate resources of citizens, authorities, business structures; cost saving; more effective expenditure in comparison with the municipal government, and also the voluntary nature of the establishment of these communities. An important factor encouraging the residents' self-organization in TOS are the subsidies provided by the local authorities. Social capital with its variations is the essential requirement for the participation of citizens in TOS and the efficient operation of these communities. These assumptions are shown to be true in this paper.

In the first part of this paper a diagram of areas of activities of TOS (TOS niches) is developed. Additionally we show that the prevailing initial incentive to establish TOS is driven by the prospect of obtaining seed money from the government. This triggers a "fund drive" multiplier and enables communities to eventually raise much higher project budgets. TOS are apolitical, they target specific community projects and almost never facilitate political collective action. In the second part based on surveys of local governmental officers, TOS service recipients, and the citizens of the city of Kirov (as a part of the scientific project of the Centre for Institutional Studies Higher School of Economics "Institutions, social capital and economic behaviour"), the sources of the efficiency of these communities in comparison with the state authorities have been singled out. A comparative list of sources of TOS efficiency in comparison with the local government is given. The most significant among them are the efficiency of the TOS communities in the ratio of costs and benefits, and sensitivity to the demands of consumers. The major factors among them are TOS operational efficiency regarding the ratio of costs and results, and their response to the needs of the consumers. Social capital is a critically important factor in TOS success. Very few TOS are government-created; most of them are grassroots initiatives which appear in response to the enabling legislation and initial availability of public funds. TOS are more likely to emerge in communities with a higher propensity for local collective action where people are skeptical about the efficacy of the conventional mechanisms of democratic accountability, and prefer to collaborate with municipal governments on specific projects

## TOS Niches

The range of TOS powers is varied. In accordance with the current federal law TOS are a form of local government performed by the citizens independently; a type of non-profit organization. Therefore, their powers are defined institutionally. There are four responsibilities declared by the federal law (Federal Law No. 131): the representation of the interests of citizens residing on the territory of TOS; supporting decisions taken at the citizens' meeting; carrying out activities to improve territories and other business activities in order to satisfy the social needs of citizens; the introduction of local bills into the local government. However, when analysing local regulations, it was determined that the amount of TOS duties exceeds ten (Decree about TOS). Besides the four main types of activities, the legislator states powers to prepare and realize plans of social and economic development of territories; to support charity events; to assist law enforcement authorities in keeping the peace on the territory; to participate in work with children and teenagers by organizing their leisure activities in vacation time and creating children's clubs and hobby groups; to participate in public events organized for territory improvement and cooperation with organizations of housing and utility sector; to inform citizens about the decisions of the local government; and to perform other responsibilities. An analysis of TOS work in Kirov shows that this list is not restricted to the ones mentioned above. Some of them are performed by TOS alone, though they refer to the competence of the municipal government, others coincide with the functions performed by the municipal authorities, for instance, powers to improve the city territory, work with children and teenagers, cooperation with organizations of housing and utility sector and informing the citizens. These types of activities are directly performed by both establishments. Why are some of the municipal functions performed by the non-profit organization, whose operation has voluntary nature? What are the niches of TOS activities? What are the main roles and purpose of TOS? To answer these questions we should refer to analysis of TOS work experience in Kirov.

To evaluate the operation of non-profit organizations, the most popular type of data collection is a questionnaire survey of stakeholders (Balsler, McClusky, 2005), (Brown, 2005), (Connolly, Conlon, Deutsh, 1980). This is connected with a lack of operation records of these organizations by official statistical bodies. Surveys allow researchers to include the opinions of various stakeholders or experts with knowledge of the operations of the organization. In this particular case three categories of respondents were surveyed: TOS managers, public servants and the citizens of the city who are users of TOS services. By means of random quota sampling 100 TOS managers (that is, 100 communities), 104 local governmental officers and 300 citizens of the city (3 respondents for each TOS) were selected. At the time of research in 2013 there

were 200 TOS communities registered in Kirov. The results of survey of TOS managers and citizens of TOS territories were used to evaluate the operational efficiency of the communities. While the local governmental officers were considered as experts which was determined by their work experience with the local citizens, and their answers were used to form general impressions of TOS operations. A comparison of the data defines the position of TOS in the city environment and municipal administration.

In order to understand the nature of TOS operations it was necessary to compare whether TOS activities as defined by the legislation differ from the actually performed activities. Table 1 shows the most popular and effective TOS according to the opinion of public servants, and an aggregated estimation of the community efficiency provided by respondents (TOS managers, and the service users) in accordance with operation types, defined for TOS institutionally.

**Tab. 1. Activities of TOS communities (niches) and their efficiency**

Activities of TOS	Where TOS should be most usefully engaged? (opinions of public servants) (in percentage points)	How effective TOS are? (TOS managers, users of services)
<i>Improvement of community infrastructure</i>	85	3,0
<i>Informing public on community issues and problems</i>	12	2,8
<i>Cultural and sports events</i>	17	2,3
<i>Assisting police in maintaining public order</i>	10	2,3
<i>Helping vulnerable people (children, seniors, veterans, the disabled and others)</i>	15	2,2
<i>Submission of regulatory and community development proposals to municipal governments</i>	5	2,0
Participation in community development grant competitions	51	-
Monitoring local utilities and housing maintenance organizations	20	-
Appeals to local governments	10	-
Control over local authorities	5	-
Increase of civil engagement during elections	2	-
Organization of protest movements and political meetings	2	-

*Notes:* allowed the choice of any number of responses. The estimation was performed by respondents by means of giving points on the scale from 1 to 4, where 1 – TOS is absolutely inefficient; 2 – TOS is inefficient; 3 – TOS is efficient; 4 – TOS is very efficient).

Practices of TOS that declared at effective law were highlighted in italics.

The TOS activities with missing estimations of efficiency are not officially designated by the legislation and some of them was received during the field research based on the results of the respondent survey a posteriori, as half-closed questions were included into the questionnaire

survey. Such activities are not basic of regular TOS operations therefore they could not be used to estimate efficiency. The exception is the participation of TOS in grant contests organized by the governmental authorities. In spite of being effective and on demand, this activity is more of a resource for TOS. Budgetary transfers provided by tender may be used by TOS managers to implement the declared powers.

The estimations were performed by averaging responses which were given on a scale from 1 to 4. Table 1 shows that according to the opinion of all the three groups of respondents, the most effective TOS work is to improve community infrastructure and inform the public about community issues and problems. These two types of activities are rated significantly higher than the others. We therefore define them as strategic. Local governmental officials also considered the monitoring of local utilities and housing maintenance organizations as strategic. This is an urgent issue because of issues within the housing and utility sectors (Shomina, 2010). However, it turned out to be impossible to evaluate this activity of TOS within this research.

TOS operations directly connected with democratic values are worth particular attention. What is meant here is control over the operation of the public servants, an increase in civil engagement during elections and the organization of protest movements and political meetings. According to the opinion of the local governmental officials, these activities are not characteristic of TOS. The communities deal with local issues, arising in the process of daily life in neighbourhoods, districts, apartment blocks, but they do not discipline the local authorities. Their sphere of activity is restricted by the creation of favourable living environment for citizens. To prove this hypothesis let us refer to the respondents' answers about TOS major operations (any number of variants was acceptable). TOS managers and the users of services answered this question (the answers of the first group are represented in dark grey colour, the answers of the other group are represented in light grey colour). Figure 1 demonstrates that both groups consider that TOS mostly deal with issues which the local government cannot afford to invest time or money in. TOS also unite citizens in cooperative work and TOS monitor the local authorities. 54% of surveyed TOS managers consider this work significant, whereas only 22% of residents do. This variety in answers may be connected with the low level of consolidation of citizens for coordinated problem solving, based on the respective interpersonal trust, social networks and common values. In other words, it may be connected with the low level of citizens' social capital. It is known that social capital within private (that is, non-state) solutions to public issues reduces transaction expenses, allows citizens to support each other and cooperate within voluntary organizations. On the other hand, social capital materializes in the form of civic political activity in order to improve accountability and the work of the local authorities (Polishchuk, Menyashv, 2011).

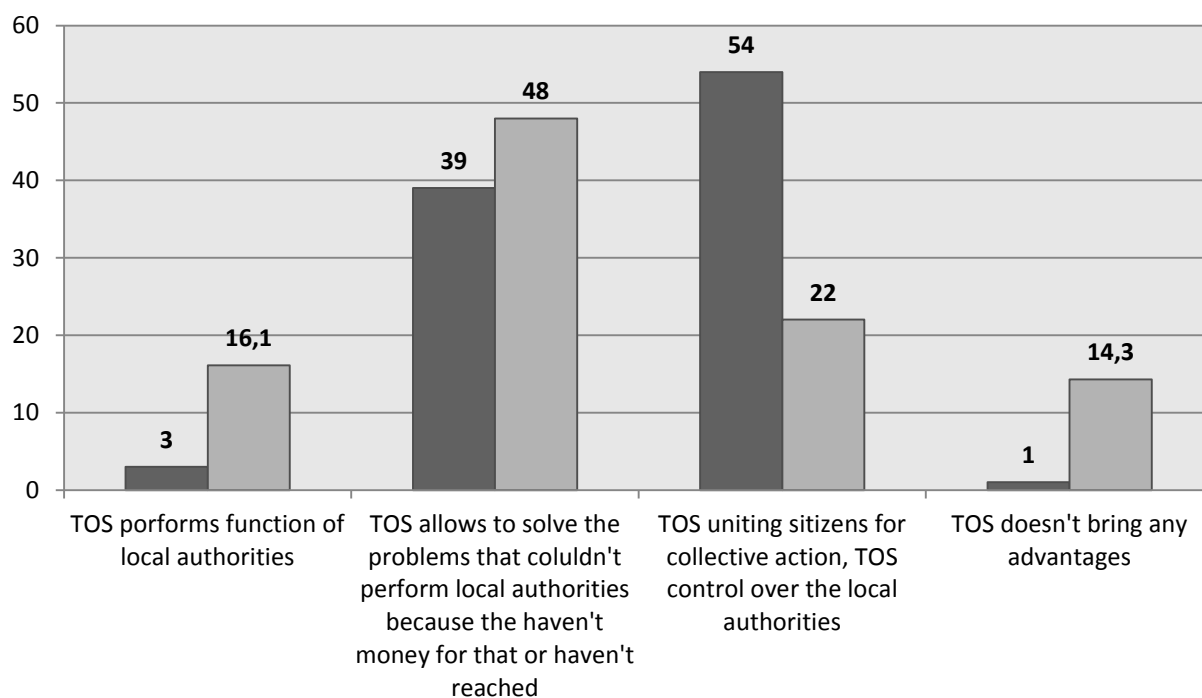


Fig. 1. Distribution of answers to the question “What do you think is the main work of TOS?” (in percentage; any number of responses is allowed).

Therefore, it may be affirmed with large degree of probability that TOS’s main work is not only creation of a favourable living environment for citizens on the respective territory, but also solving issues which are left unnoticed by the municipal government for some reason. TOS are apolitical; they target specific community projects and almost never facilitate political collective action.

### **Trigger Incentives to Create TOS**

According to the results of the all Russian survey among civil servants in local government, carried out by Higher School of Economics in 2007–2008, during the monitoring of the condition of the civil society on the subject of “The analysis of municipal policies in the sphere of the support and development of public initiatives” it was stated that TOS embraces every third municipal entity. TOS are developing in 49% of urban districts, in 32% of urban settlements, in 29% of municipal districts and in 20% of rural settlements.

Kirov is not an exception. In accordance with the official data, TOS communities in Kirov in 2011 included 16,207 people (about 4% of citizens), whereas 126,095 people became service recipients, which was 25.3% of the total city population, and 225 business and non-commercial organizations were also included in the socialization process.

Out of 200 Kirov TOS communities, registered by the Kirov city Duma during 2012, about 77% of Kirov TOSs were created in apartment blocks, where the form of management



apartment blocs is the management company, 8% in settlements and 4% in villages. The analysis of Kirov TOS shows that in 2008 there was only 1 TOS community, in 2011 there were 90 communities, by October 2012 the number of officially registered TOS communities at place of residence increased to 198 (Administraciya goroda Kirova..., 2012).

In spite of the popularity of TOS, the question about the factors encouraging individuals to self-organize into these communities has remained unanswered. In the long list of Russian and foreign scientific literature about the operation of non-profit organizations, including TOS, these factors have not been paid necessary attention.

The survey among the TOS community managers and civil servants, carried out by the author of this research in 2013, describes the factors encouraging residents to establish TOS communities (Fig. 2). The survey analysed 50% of TOS registered in the city and 30 % of the local civil servants.

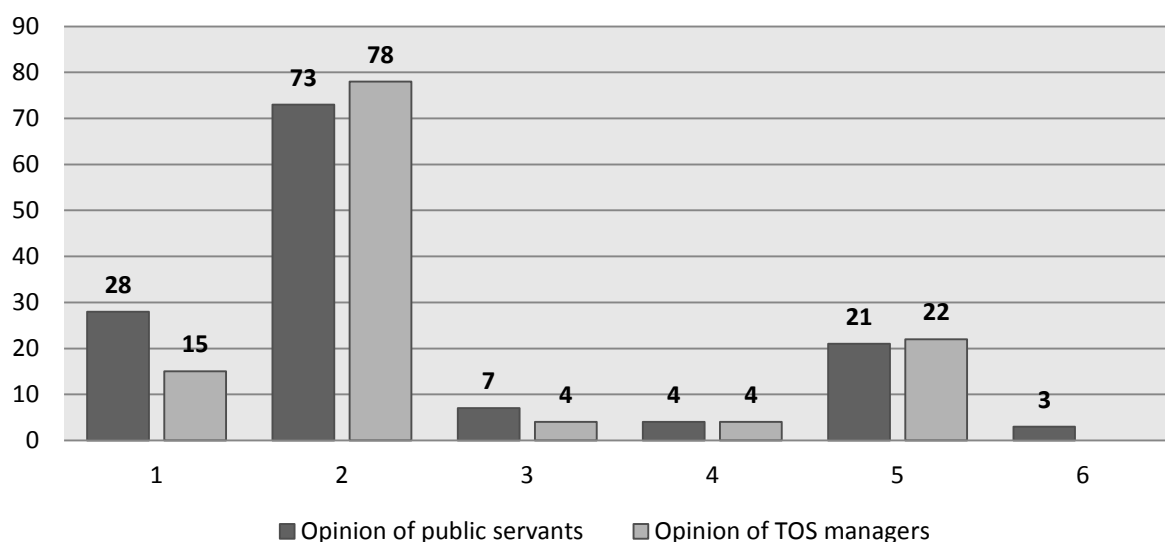


Fig. 2. Distribution of the respondents answers to the question: “What, in your opinion, made residents of your territory establish TOS community?” (% of respondents, any number of responses is allowed).

- 1 The possibility to exert pressure on local governments and managers of public utilities to improve their performance.
- 2 The availability of financial support from local governments to implement community projects (area improvement/renovation; maintenance of communal facilities; landscaping, building children’s playgrounds, etc.).
- 3 The decision of the local authorities to outsource some regulatory functions and service provision to communities.
- 4 The opportunity to strengthen political bases for municipal elections.

**5** The dissatisfaction of residents with the work of local authorities and an attempt to replace this with community initiatives.

**6** The possibility of solving local problems jointly with municipal authorities.

73% respondents from the local civil servants and 78% TOS managers said that the major factor in establish TOS, was a desire to seek financial support from local governments to implement community projects. This is the common opinion of the respondents who are within the average subjective position of the income level, 39.2 % of those who responded “I have sufficient funds to buy food and clothing, but I cannot afford purchasing a fridge or a TV”, 54.5% of whom are people with higher education. It is remarkable that this variant of response was selected by the majority of the respondents, both the local civil servants and the regular citizens. This allows us to evaluate the integrity of the data.

The second most important factor was the residents’ dissatisfaction with the work of local authorities and their attempt to replace this with community initiatives (21% of local civil servants and 22% of TOS managers). When selecting the third factor 28% of civil servants and 15% of TOS managers said the desire of residents to exert pressure on local governments and managers of public utilities to improve their performance. Of the residents with a subjective income level higher than average (“I can afford purchasing a fridge or a TV-set, but cannot afford buying a new car”) 40%, and 60% of them have a higher educational background.

The desire to solve local issues by means of their own efforts and the local city budget (subsidies, grants), as it was announced by the TOS manager of the retirement age (58.9%) and the average income level, whereas the desire to attract the local authorities and organizations of the housing and utility sector to provide high-quality services was mostly expressed by 49% residents of employable age with a higher income level. They latter consider TOS as a mechanism to increase the accountability of the local authorities, whose resource is the social capital of citizens. This can improve the quality of the municipal administration. However, the majority of the surveyed respondents consider TOS to be a tool to solve local issues by means of their own efforts, therefore, supplementing, and sometimes substituting the power of the local authorities.

The dominant desire of residents to improve the living facilities in their buildings and the surrounding territory by means of the local budget is likely to be connected with the condition of the housing stock in Kirov, the majority of which are physically rundown and require major refurbishment. The average age of the buildings where the respondents, TOS managers, live is 31 years.

## **The Sources of TOS Advantages over the Municipal Government**

The efficiency of any organization depends on a number of factors. Shah and Anwar (2005) state that there are two peculiarities of governmental/ municipal efficiency: the response of the government to the citizens' needs and operational efficiency (providing services of the necessary quality with minimum cost). La Porta et al. (1999) and Rothstein (Rothstein, Teorell, 2008; Kumlin, Rothstein, 2005) support this opinion, including the successful provision of public benefits and the efficient use of funds into the concept "the efficiency of authorities". Drucker (2003) described it as: "Efficiency is doing the thing right. Efficiency is doing the right thing".

### **Response to Citizens' Needs**

First of all, we analyse TOS responses to citizens' needs. Being a local organization, created by citizens, TOS communities are likely to respond more quickly to local requests. Residents of the TOS territory freely and with minimal cost (free time, transport charges, communication services, etc.) apply to the TOS manager, residing in their building, to solve any issues, thereby avoiding bureaucratic red tape in the governmental authorities. The TOS manager deals with the issue independently or by means of group action, or addresses it to the local authorities if the issue cannot be solved by standard group actions or requires significant funding. For instance, residents can easily organize community clean-up days or plant ornamental bushes, although complex asphalt paving of the territory will be more challenging for residents. Dealing with challenging local issues in most cases will depend on the level and type of social capital accumulated in such communities (Putnam, 1993; Tabellini, 2008, 2009; Aghion et al., 2010). Minimizing the costs, when applying to TOS, is possible when there is trust among people, stable social values, rules and social networks. These particular elements make the basis of social capital. For effective group actions the society should have civic culture, which refers to a type of social capital "bridging social capital" (Menyashev, Polischuk, 2011). Bridging social capital can create numerous social coalitions to provide public benefits. It is provided by a wide range of trust among people and universal morality. In turn, civic culture is based on common norms and values, which enable citizens to participate by following common interests (Almond, Verba, 1963; Weingast, 1997). Civic culture is essential for proper democratic performance (Persson, Tabellini, 2009); it turns individuals into "sophisticated consumers of politics" (Boix, Posner, 1998) driven by properly understood self-interest properly. Prevalence of "civic voters" (Nannicini et al., 2012) ensures government accountability and prevents abuses of power. As a result, the community possessing enough bridging social capital and civic culture is able to minimize the costs of the interrelations among individuals, be more sensitive to the local

residents and deal with local issues by means of group actions. In this case, if our hypothesis is correct, TOS are better informed about the current local situation and, therefore, are better able to provide services in accordance with the citizens' needs. However, due to the theoretical aspects given above, these services must be of proper quality, and TOS operation must be efficient.

## **Social Capital as Factor of TOS Performance**

Thus, points of TOS efficiency are determined; what is left is to ascertain what enables the provision of services of good quality (Tab. 1). For this purpose let us turn to the research of Shagalov (Shagalov, 2014) on the performance of citizen self-organization at their place of residence. Besides questions about the quality of TOS services, the questionnaire survey included questions about solidarity, mutual assistance, and the ability to work in groups. Questions about trust and feelings of responsibility towards your family, neighbours, micro-region residents (that is, rural settlements), city citizens in general and trust in the local authorities were also included here. Respondents could equally assess these indicators giving points from 1 to 5. Questions of these group characterize bridging, bonding social capital and civic culture (Polishchuk, Menyashev, 2011), and the endogenous ability of a respective community for group actions.

If group actions do not go beyond narrow groups, striving for special privileges (Olson groups), we are dealing with social capital in a bonding form; group actions within vast public coalitions (Putnam groups) require bridging social capital. Civic culture is a feeling of responsibility and immersiveness in the current state of affairs in community. Bridging social capital, as a rule, supports development, whereas bonding social capital can be an obstacle, diverting resources and energy from the community to a fight for the redistribution of rent (Polishchuk, Menyashev, 2011). Bridging social capital was supposed to answer the questions about the trust in residents of the micro-region, settlement, city as a whole, whereas the bonding one dealt with issues of trust to family members, building residents, feeling of responsibility to a narrow circle of people (Glaeser et al., 2000). Specific social capital was stipulated by answers about the quantity of residents frequently participating in the community meetings, and corporate social capital, demonstrated in the system of the social bonds of TOS community, as a social organization with other organizations (business / non-profit), involved in its operation (Todeva & Knoke, 2002), and the number of organizations involved in TOS operation.

The third group combines general questions about the TOS community, its form, the number of residents living on its territory, the number of members in the community

administration, the size of the TOS budget, TOS territorial belonging to the city district, and the presence or absence of the managing company or Condominium Partnership on its territory.

Finally, the fourth group combines questions, describing individual characteristics of the TOS manager such as age, gender, marital status, income and educational background. This indicates not only work quality of the TOS managers but also the frequency of their participation in the community work in accordance with the abovementioned value range, describing the work quality of the TOS manager.

A regression analysis of the data determined the factors contributing to TOS efficiency (Tab. 2). The strongest positive influence on TOS performance is the specific social capital, represented by the number of residents participating in TOS meetings, residents assisting each other, and the wait for assistance from residents. The second significant factor is civic culture, expressed in the feeling of civil liability for one's city. A less important factor influencing performance in a positive way is corporate social capital, which is identified in the system of social bonds of TOS community as a social organization with other organizations (business or non-profit) involved in its operation. Values and norms unconditionally shared by organizations generate trusting relationships, providing the efficient operation of the social organization. Another factor is quality of the community manager's work, and his active participation in social activity. Bonding social capital, expressed in the feeling of civil responsibility and trust in family members adversely affects TOS communities performance in all presented regression models.

Therefore, the key factor of the non-profit organization performance is social capital and its varieties, which leads to the residents' group actions (Tab. 2). Borisova (2014) expresses the same opinion in her work. Analysing homeownership performance in Russia Borisova concludes that homeowners with homogeneous groups of residents work more efficiently; implying similar views on a number of questions, which makes it possible to make a quick decision. Also, homeownership where residents find it easier (quicker) to come to an agreement during meetings and residents have fewer conflicts among themselves are more efficient. She points out the leading role of social capital in the process. Yau (2010) got similar results in the process of applying a case study. Owners of residential blocks of flats keep common property in good quality, if there is a good level of social capital among residents.

**Tab. 2. Factors contributing to the performance of TOS communities**

TOS performance						
Model	(1)	(2)	(3)	(4)	(5)	(6)
Bonding social capital	-0,226 (0,077)	-0,226 (0,077)	-0,226 (0,077)	-0,226 (0,077)	-0,227 (0,068)	-0,180 (0,069)
Leadership of TOS manager		0,140 (0,082)	0,139 (0,082)	0,130 (0,079)	0,121 (0,072)	0,113 (0,071)
Generalized trust			0,028 (0,079)	0,028 (0,075)	0,032 (0,069)	0,025 (0,068)
Civic culture				0,300** (0,075)	0,299** (0,069)	0,261* (0,069)
Specific social capital					0,374*** (0,069)	0,330*** (0,070)
Corporate social capital						0,206* (0,140)
Number of respondents	100	100	100	100	100	100
R <sup>2</sup>	0,051	0,071	0,071	0,161	0,301	0,338

Notes: Model uses linear regression. Results show linear regression coefficients with standard errors in parentheses. \*p<.10 \*\*p<.05 \*\*\*p<.01.

## **Voluntary Self-organization of Residents**

Borisova underlines that homeowner TOS are efficient only if they are created at the initiative of the building residents, not imposed by the authorities. Then the voluntary participation of citizens in TOS may become an advantage over the enforcing nature of the state. According to Levi (1996) care must be taken with the interference of the state, as it may spoil people's ability to spontaneously self-organize. Mersiyanova (2010) says in a number of Russian cities there is a transformation in the operation of TOS communities. The local authorities restrict self-organization. Community operations have changed from volunteer to obligatory, and the realization of the community's own initiatives has been replaced by realization of city programmes.

However, the statistical evidence of this transformation in Russian cities was not given. Because of this, the answer to the question about volunteer or obligatory form of TOS operation has not yet been found. The research, in terms of which TOS managers have been surveyed, draws conclusions about the established tendency.

46% of respondents answered the question "who initiated your TOS community" in the following way: the community is established thanks to the group initiative of the building residents; 41% of respondents mentioned that it became possible due to the individual initiative of the TOS manager, and only 7% of respondents announced that the community was established by efforts of the local authorities (Fig. 3). Individual initiative means that the community is established by efforts of one individual, who becomes the head. Collective initiative means the TOS establishment by the number of actions of a group of individuals. Initiative for TOS establishment belonging to the local authorities, implied active interference of the local authorities in the process of TOS establishment. Therefore, in the majority of cases TOS are established voluntarily.

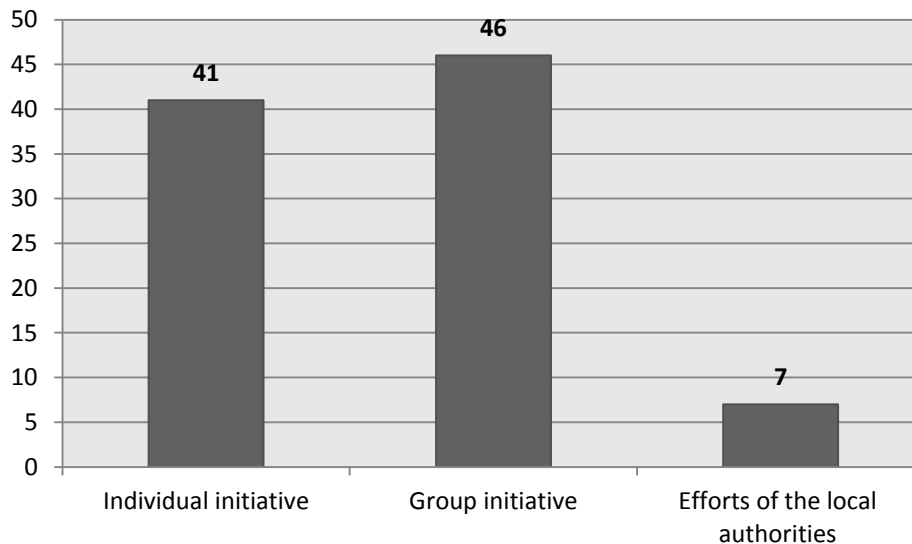


Fig. 3. Distribution of answers to the question: “Whose initiative was your community created by?” (points in percentage, choice of any number of responses is allowed)

The specific feature of governmental and municipal organizations, presented in the research of Alchian and Demsetz (1972), is the involuntary nature of their ownership. The owners are taxpayers, who are not able to wriggle out of the responsibilities of supporting state and municipal property. In such organizations it is challenging for taxpayers to control management activity of the government agencies. Therefore, the voluntary nature of TOS not only allows citizens to control the efficient distribution of TOS resources and municipal resources, but also provides their sustainable use, improves the service quality of TOS by the local authorities. All this leads to the improved functioning and development of the city economy.

### **TOS Budget and Multiplying Seed Money**

The abovementioned sources of efficiency lack one significant detail—the funds which help TOS realize their initiatives. The research results of TOS efficiency have not proved a strong connection between the efficiency variable and investments in TOS budgets. Nevertheless, it would be inappropriate to leave this issue untouched. TOS budget analysis can detect who sets it and how this is done. The efficient implementation of funds is one of productivity indicators of the organization operation. So, where do the funds come from to realize civic initiatives? How efficiently these funds are implemented?

A questionnaire survey of TOS managers described the budget structure of such societies. During the survey respondents responded to the following: “Point out the sources and amount of cash inflow into TOS budgets”. The results of respondents’ answers are given in Table 3. To



provide the completeness and consistency of answers respondents were asked to point out cash inflow amount in percentages, not giving the full amount in roubles.

**Tab. 3. Sources and Volume of Earnings in TOS Budget**

Sources of cash inflow in the TOS budget	The size of cash inflow in the TOS budget (%)
Funds of the residents'	From 10 to 30
City administration budget	More than 50
Regional administration budget	More than 50
Commercial organizations' funds	No more 10

As can be seen in this table, the significant part of the TOS budget is made by cash inflow from the regional administration and the city administration. To a lesser extent, residents' own funds are represented—10 to 30% of total budget amounts. Business organizations make the least contribution to TOS budgets, i.e. less than 10%. In accordance with the Federal Law on the local government and regulatory documents, controlling TOS operation in the city of Kirov, regional and local authorities are entitled to subsidize the societies by tender. Therefore, there are many grant contests in the city to support local initiatives. They allow TOS to realize an idea, (e.g. landscaping outer territory of the building), in the form of a social project, for which they may apply for a grant. For a winning project, the TOS count on the financial support of the current authorities. Judging by Kirov experience, such support is given if there is demand for the project by the residents, and if the residents themselves and business organizations also contribute funds. In most cases this TOS budget structure is explained by the grant contest conditions. In accordance with them the amount of the contestant's contribution into the project must be no less than 30% of the requested sum (Administraciya goroda Kirova..., 2012). The same applies to the contribution of business organizations, which must be no less than 10% of the sum of municipal or regional grant. Such budget distribution may change to a larger or smaller amount depending on whether the TOS applies for grants, and on whether the TOS manager works effectively with organizations situated on the TOS territory. Besides, stringent conditions for grants encourage the search for partners in realizing a social project.

Since 2007 grants supporting social initiatives have been given in three areas: “my city is my home” (improvement of citizens' places of residence); “our heritage” (organizing resident's recreation activities and preserving cultural heritage sites); “civic initiative” (projects of TOS system development in forums and seminars informing citizens about realization of TOS social initiatives, etc.). The first of these nominations each year attracts strong interest with the city citizens. During six-year period of the citizens' participation 289 children playgrounds and sports-grounds have been built on territory of residential buildings, and within the scope of other

nominations dozens of charity and social events have been organized to support veterans, multi-child families, the sick, and the lonely people.

TOS operations seem local, such societies act within their territories. Judging by the data in the city of Kirov, in the majority of cases TOS territory is restricted to an apartment block and the outer territory of the building (Shagalov, 2014). Nevertheless, such residents' societies may be of mass proportions and in some cases they include entire micro-regions and rural settlements.

However, the subsidizing of social initiatives often does not reflect the efficiency of such institutional interaction. It is also reasonable to present indicators of economic return efficiency from TOS operations. What is meant here is the profitability of budget investments, attracted per unit of non-budget ones. For example, in 2010 per 3 million roubles from government budget funds provided to realize social initiatives, 5 million roubles of funds from third party organizations were attracted, including funds of the residents themselves. In 2011 per 4 million roubles from budget funds, there were 6.3 million roubles from third party organizations and an additional 1.5 million roubles from other budget sources (Tab. 4).

In this case calculation of profitability ratio of budget investment in the development of public societies seems reasonable. The profitability formula is:

$$R_{ib\ t} = (I_i / I_b) \times 100\%, \quad (1)$$

where  $R_{ib\ t}$  is profitability ratio of budget investments in the reviewed period,  $I_i$  is the amount of third party investment,  $I_b$  is amount of government budget investment. Therefore, in 2011 the profitability ratio value is the following:

$$R_{ib\ 2011} = (7,8 / 4,0) \times 100\% = 195\%, \quad (2)$$

consequently, the profitability of budget investments in 2011 was 95%; per 1 rouble of budget funds there were 1.9 roubles of other funds. Such simple calculations, first of all, show the efficiency of economic collaboration between political institutions and institutions of civic society and business, which is circumstantial proof of the existence of trust between these institutions. Societies at place of residence are becoming the basis for establishing trust, defined by conditions, created by local government with the purpose of their future evolution. The profitability of budget investments is an economic indicator, demonstrating the efficiency of implementing funds from the city budget and initiating the intended expenditure of funds in the sector working with citizens.

**Tab. 4. Comparative Data of Grant Contests to Support Social Initiatives in 2007 – 2012**

Indicator	2007	2008	2009	2010	2011	2012
Applications filed	20	47	51	66	56	127

Projects winners	15	29	51	54	55	119
Involved in the project, people.	500	1347	4681	4890	4956	
Number of beneficiaries, people.			81 333	104 747	126 095	
The number of organizations involved in the implementation of projects	27	42	181	186	225	
Budget funds allocated for projects city administration, mln. rub.	0, 650	1	3	3	4	8
In addition, funds raised to the implementation of projects, mln. rub.	0,667	1,4	4	5	6,3	
The funds of the district administrations, mln. rub.			0,741	0,2	0,2	
The funds of Deputies, mln. rub.			1,2	1,9	1,3	
<b>In total, mln. rub.</b>	<b>1,3</b>	<b>2,4</b>	<b>8,9</b>	<b>10</b>	<b>11,8</b>	

*Source:* Report on the administration of the city of Kirov in 2012 (<http://www.mokirov.ru/>).

Subsidies, in the form of municipal grants, make up the essential part of all the funds, assigned for realizing the project, and positively influence fund raising and increase the share of the partnership contribution (Andreoni, 1998). As we know the prevailing initial incentive to establish TOS is driven by the prospect of obtaining seed money from the government. This triggers a “fund drive” multiplier and enables communities to eventually raise much higher project budgets.

In addition to the financial values of grants used to evaluate TOS efficiency, a number of other factors can be given, showing project effectiveness and their social popularity. The values, given in Table 4, show that the vast majority of the population is involved in social projects. Further there are positive dynamics of the abovementioned values annually. Another indicator is the interest of large and small municipal authorities (such as Samara, Lipetsk, Perm, Nizhny Novgorod) in the local authorities of Kirov in order to adopt the positive experiences of TOS societies for development of their own systems of the local government.

The results achieved in Kirov have received high praise at the national level. In December 2009 in Moscow there was an awards ceremony for winners of the annual Contest of

municipal authorities, organized by the Ministry for regional development of the Russian Federation. Kirov took 3rd place in nomination “The best practice stimulating civic engagement”. The effectiveness of the project activity is closely connected with public demand (Administraciya goroda Kirova..., 2012).

First of all, public demand for projects is determined by the expert council of the city grant contest, which includes representatives of the local authorities and public organizations. The decision is based on the decision of the territory residents, who the project is meant for, of the necessity of its realization. The decision of residents is included in project documentation and directly influences approval or otherwise of the project by experts. Notwithstanding these positive results, a detailed analysis of the positive characteristics of the realized social projects and an examination of public opinion allows the assessment of TOS society operations despite the fact that at present this research is hindered due to the lack of the necessary empirical data being available to the public.

To sum up, judging from this information, TOS budget structures combine funds of the local residents, grants of the authorities, and funds of private companies. The operation of TOS contributes to the raising of these funds. Social projects are becoming a target for the purpose of which funds or resources of the interested parties are raised. All of the resources, coming to TOS, undergoes financial evaluation by the TOS manager. It is not at all necessary for the project partner or residents to support help or participate in TOS, contributing any monetary funds. Help may be given providing transport services, supplying building and construction materials and so on. For instance, in accordance with a clause on the grant application residents’ own contribution to realization of social projects include purchasing equipment (spades, rakes, brushes, etc.), purchasing equipment and facilities for the outer garden (playgrounds, benches, etc.), purchasing building and construction materials, purchasing planting stock (young tree plants, ornamental shrubs), volunteer work, prizes and souvenirs for social and cultural events. The unremunerated contribution of residents allows an adjustment stimulation system in such a way that all the parties should be interested in following the contract provisions not only at the moment of its signing, but also at the moment of its execution. The risk of possible losses constrains opportunist behaviour and increases social responsibility for the provided service.

The person responsible for finding partners and organizations to participate in the project (both direct and indirect participation), is the TOS manager. This helps reduce expenses, which are bound to appear when using municipal authorities. These are the transaction expenses *ex-ante* (Alchian, Demsetz, 1972; Williamson, 1985; Kapeliushnikov, 1990), appearing prior to signing the contract between two agents. Here it refers the following: finding contractors (such a search using the municipal authorities lasts for the period not less than 3 months), preparation

and signing the contract for service provision (e.g., city land improvement), the estimation of the social demand to conduct relative work and so on. All the abovementioned types of activities demand significant funds and time. TOS optimizes this work, reducing such red-tape expenses to a minimum. Budget subsidizing of TOS is cost-effective. Therefore, no doubt, all these facts are a significant advantage in TOS operations in comparison with the local government.

### **Grassroots Monitoring of Following the Rules**

Conducting any TOS activity related to social investments is always divided into two steps. First, is the realization of this or that activity directed to create a positive environment for residents (within the contract or any other agreement). Second, is the activity directed to support the previously received results (established playgrounds, sports grounds, organized events, other improvement facilities, etc.). In both cases the most significant part is the monitoring of the current rules of contracts, agreements or values. When analysing the state authorities in terms of formal institutions, they have special duty bearers, whose major activity is the monitoring of the current rule. One of the formal institutions is law, which is controlled by the state. Formal institutions seem to be efficiently implemented, as their duty bearers must do the only thing required—monitor the following the rules. However, many do not take into consideration that for a specialized duty bearer monitoring is only a means of earning money. Therefore, money may be earned another way—turning a blind eye in exchange for some preferences.

For TOS, which contains both formal and informal institutions (e.g., an TOS which has not undergone the procedure of official registration, having common values for residents), any individual can be a duty bearer considering that the rules accepted in the society must be followed. Therefore, in case of rule infringement the rule breaker is unlikely to be able to bribe their way out and avoid punishment. Duty bearers, noticing a rule infringement, consider following the rule to be a social value and are not ready to give it up. This is the so-called evidence principle of breaking contract conditions, when rule infringements come out in the open, which, together with the risk of reputation loss and financial losses, significantly restricts actions of potential deviants. The social capital of TOS societies is aimed at the distribution and strengthening of public control, whose trust and values create a powerful stimulus for an effective interconnection of individuals. It reduces expenses of opportunist behaviour of the principal, agent and sub-agent.

The disadvantage of such an informal monitoring has always been a lack of resources to track rule offenders regularly. However, in micro societies at place of residence, the small sizes of the organizations allow the monitoring of the rules. Therefore, TOS can efficiently and without delay, monitor of duty performance by the third parties, for instance, by a contractor

responsible for the improvement of the outer territory, or by the TOS managers. This monitoring is implemented both at the ex-ante stage, and in the process of TOS operation ex-post stage (Williamson, 1985). All this helps reduce transaction expenses connected with duty performance.

### **What Makes TOSs More Likely?**

However, what encourages people to perform socially oriented operations? What are the conditions for TOS existence? The answers to these questions are provided by the results of the questionnaire survey among the residents of Kirov as a part of the scientific project of the Centre for Institutional Studies Higher School of Economics “Institutions, social capital and economic behaviour”, carried out by Polishchuk and the author of this research in 2014. There was the total of 3000 respondents selected from residents living in apartment blocks by means of random representation sampling. 24.2% of the respondents were residents of a building or territory where TOS communities were established.

Respondents were asked questions characterizing social capital and group actions: about the level of trust between the residents of their building and the city as a whole, the feeling of responsibility for their building, surrounding territory and the city, the frequency of participation in a community clean-up day, providing help to neighbours, and how well they know their neighbours. The questionnaire survey included questions about individual characteristics of respondents, describing their gender, age, educational background, income level, city district, where the respondent resides. They were also asked if they assumed the state of things in the city depended on such citizens as themselves and what was a better way to solve issues in the life of the citizens. The two latter variables together with the information about the city district where the respondent resides, were used as dummy variables as they were nominal and ordinal.

The variable for the establishment of an TOS in a residential building was represented in the analysis as binary and selected as dependent. All the other questions were selected as regressors in accordance with the hypothesis that the major reason for the residents’ participation in TOS is social capital. A logistical regression model was built, which describes the given hypothesis (Tab. 5) more closely. The analysis of the model showed that the most significant condition for TOS establishment in a residential building is the degree of acquaintance of the respondent with the neighbours and the frequency their communication.

**Tab. 5. Explaining conditions of TOS existence**

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Dependent binary variable: Existence of TOS in the residential building (0 – TOS not exist; 1 – TOS exist)
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Degree of acquaintance with the neighbours and communication with them	.29*** (.05)
Trust among city residents	.27*** (.06)
Mutual help	.24*** (.06)
Income level	.21*** (.05)
Trust only to the house residents	-.24*** (.06)
I cannot influence the situation in my city	.44*** (.12)
I feel responsibility for my building and surrounding area	.17** (.05)
I seek collaboration with local authorities in solving community problems	.34** (.11)
Constant	-3.998 (.34)
-2 Log likelihood	2654.900
Nagelkerke R square	.125

*Notes:* Model uses binary logistic regression. Results show binary logistic regression coefficients with standard errors in parentheses. \*p<.10 \*\*p<.05 \*\*\*p<.01.

The better you know your neighbours, the more chances you have to create TOS. The next by importance is the level of trust among city residents. A high level of trust in the majority of people influences group actions positively. Trust only to the building residents (a narrow group of people) has a negative influence on TOS and decreases the chances of their establishment. The positive effect is rendered by social capital characteristics such as mutual help and the citizens' feeling of responsibility for their building and the surrounding area. The income level plays an important role as well. High income creates beneficial conditions to solve local issues actively within TOS.

The regression model shows that TOS are connected with the specific treatment of the local authorities by the citizens. So, residents of the TOS territory assume that they cannot influence the situation in the city. They prefer to solve the city issues in collaboration with the local authorities but not by controlling them. This fact can be explained by the prevalence of bonding social capital among the respondents, which are expressed in the responsibility for their own building and the surrounding grounds only, and knowing and providing support for their neighbours.

## Conclusion

Empirical data about TOS, gathered in Kirov, show a strong demand for TOS from the municipal authorities and the local residents. In the federal law of the local authorities TOS is

mentioned in the meaning of organization, established with the purpose of solving issues of local significance. The term “organization” is associated with state and municipal organization, included in the structure of the public authorities. At the same time, the essential principles of the establishment and conduct of TOS are voluntary participation and self-organization. Therefore, it is quite probable that local authorities consider TOS to be some extension of the vertical power structure. However, survey data of TOS managers illustrate the opposite. Respondents point out the voluntary nature of these societies establishment. Very few TOS are government-created. As Alchian and Demsetz (1972) show, the distinguishing feature of state and municipal organizations is their non-voluntary nature. The owners are tax payers, who are not liable to wriggle out of responsibilities to keep state and municipal property. In such organizations it is difficult to manage the operations of the local authorities for and on behalf of tax payers. Therefore, the voluntary nature of TOS not only allows the citizens to control the efficient distribution of resources of TOS and municipal authorities, but also to provide their efficient use, increase the quality of TOS services and the services of municipal authorities. All this leads to better results in operation and development of the city economics.

We found that the prevailing initial incentive to establish TOS is driven by the prospect of obtaining seed money from the government. This triggers a “fund drive” multiplier and enables communities to eventually raise much higher project budgets. Most of TOS are grassroots initiatives which come about in response to the enabling legislation and the initial availability of public funds which serves as a catalyst for community initiatives. TOS are apolitical, they target specific community projects and almost never facilitate political collective action. As a result, TOS illustrate the ability to use mobilized funds more effectively in comparison with local authorities. This ability may be connected with the leadership of the TOS manager, which turned out to be crucial according to the results of the regression analysis. At the same time TOS can minimize transactional expenses which are inevitable in the operation process of bureaucracy; ex-ante and ex-post expenses, and also control over TOS operation results by the local residents. The localization of societies and social capital allows the establishment of such controls.

Another essential conclusion in this research is detected sources of TOS advantages over municipal authorities. One of them is their response to the citizens’ needs. Social capital plays a significant role here, which has become a factor of operation performance for TOS. Important varieties of social capital include specific social capital, civic culture and corporate social capital. Bonding social capital adversely affects TOS communities performance.

Despite TOS operational advantages, for consistency it is fair to refer to the analysis of TOS operation experience in other cities and regions. However, the main difficulty of such research is the absence of information about TOS operation in full.



An analysis of the empirical data showed that the establishment of TOS in a residential building and its existence is facilitated by bonding social capital, which nourishes this kind of community and restricts resident group actions only by the territory of their building, and does not perform actions for the benefit of the whole city population. Therefore, residents of the TOS territory tend to assume that the situation in the city hardly ever depends on them, as their power is restricted. They prefer to solve the city issues in collaboration with the local authorities without controlling them. In other words TOS are more likely to emerge in communities with a higher propensity for local collective action, where people are sceptical about the efficacy of conventional mechanisms of democratic accountability, and prefer to collaborate with municipal governments on specific projects. In spite of this, the respective level of trust in the majority of the city, acquaintance with the neighbours and mutual support provide a significant basis for TOS establishment and implication for creation of various citizenship coalitions.

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