

# MFM Project

## RTI REPORT ON ATYRAU MUNICIPAL FINANCE & MANAGEMENT PROJECT

By  
Leland Walton

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Research Triangle Institute  
1615 M Street, NW, Suite 740  
Washington, DC 20036

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The RTI team consisting of Eric Chetwynd, David Musante and Lee Walton arrived in Atyrau on October 17 following a two week familiarization tour of other MFM project cities.

The team was met at the airport by a car from City Hall and we were given excellent support by the city from that point on, considering that the President had been in town the day before to dismiss the then Governor of the Oblast and to install a new Governor. There was much going on in the City Administration and the Oblast in the wake of these changes and the time that the Mayor could spend with us on this visit was limited but of high quality.

It also became clear that we were going to have to start almost from square one briefing the top officials on the MFM program. Between the above changes, a nearly full turnover at the Deputy and Vice Mayor level and the fact that the current Mayor was in the U.S. at the time of the first RTI visit here, senior officials had little knowledge of what the MFM program entailed. In fact, the city was very thin in experience at the Department Head and Vice Mayor level as there had been very heavy turnover recently.

Our initial meeting was with Ravil Cheroabayer, Governor of Atyrau Oblast. The new Governor was Minister of Oil and Gas in his previous post, is from Atyrau and was a former Vice Governor of Atyrau Oblast. He lived for 6 months in San Francisco and was very positive about his U.S. experience and obviously wanted to draw on it in dealing with us and in helping set the course for the MFM project in Atyrau.

The new Governor is obviously going to be a strong and inspirational force in the Oblast and wants to see close cooperation between the City and the Oblast in implementing the MFM program. The mayor was absent from our first meeting and the governor laid out a sequence of meetings involving the mayor and later he and the mayor. In between these visits, we set about establishing the essentials of an MFM Office in Atyrau, using the Peace Corps Assisted Small Business Office and its spinoff Service Company -- both private sector entities. A good start was made in lining up prospects for initial staff.

Given the turnover in personnel, the defining the program in Atyrau is going to need further discussion with the Mayor and his staff and with the Governor. The contract calls for a full work plan to be drafted within the first 45 days of the arrival of the Advisor at post. Completing this workplan will be the focus of these discussions. Nonetheless, the basic structure of the program is emerging.

In our initial discussions with the Mayor, Naregeyev Bekbolat Koizhanovitch, he expressed considerable interest in a computerized M.I.S. incorporating an extensive data base for the various city services like water, sewer, power, etc. He was impressed with the utility of such systems on his IESC and University of Arizona sponsored training program earlier this year in Tuscon Arizona. He was especially interested in computerizing the Finance systems of the city. We will bring in an RTI expert systems person to examine the extent to which this can be done in Atyrau, where such a system will be starting from scratch in terms of automation practice and experience. The expert will make a baseline analysis of current technology and practice and do an initial needs assessment.

It was agreed that the starter computer system, pre approved by AID's Office of Information Resources and Management (IRM) will be specified and procured as a basis from which to build. This will be our first priority and we hope it can be installed as early as January/February. The starter system is an early indication that we mean business, familiarizes the city with the potential and complexity of a network and is a good training tool.

Other issues and priorities raised by the mayor during the introductory discussions included:

- o The proposed creation of a "Free Economic Zone" (FEZ), as authorized by current Republic Law. The FEZ, it was explained, would provide the city with limited financial independence and provide a foundation for industrial development. However, the Oblast currently opposes this initiative because it would reduce Oblast revenues and its current influence over the city's budget. The position of the new Governor on this issue is unknown. There will be a meeting of the Oblast Council next week to make a final decision.
- o Infrastructure renewal. The deterioration of infrastructure, including all basic utility systems remains the most critical problem in Atyrau. The availability of the Chevron Trust fund is an important source of assistance, but, is grossly inadequate relatively to the extent of the problem.

There was an agreement with the Mayor that approximately eight (8) senior staff members who would be importantly involved in implementation of the MFM program would be selected for a study tour in the U.S. The purpose of the tour is to familiarize the participants with systems and programs they are trying to implement in their own cities, get them to see the possible, get them on a similar wavelength with one another and with the RTI field Advisor. The program in the U.S. is designed by RTI Washington in cooperation with the field Advisor (who also accompanies the group on the tour) and city officials. A late

January/early February 1994 date is anticipated for the tour.

It was agreed with the Mayor that the Resident Advisor would begin an evaluation of selected municipal services by the end of October so that a preliminary work program and schedule could be developed during November. The Advisor will return to the U.S.A. for several weeks in early December for training at RTI, development of his study tour, procurement of materials needed for Atyrau and to align resources for the program.

In a final breakfast meeting with the Mayor, prior to his taking the team to the airport, he said he had no problems with the Memorandum of Understanding in concept. He wants to change a word or two but will work that out with Lee Walton in the next two weeks. Meanwhile, we agreed to operate under the terms of the MOU and the city is already making its contributions. The project will move forward. However, an early signing of the agreement would be beneficial. Timing should be worked out between the Mayor and USAID.

The team was pleased with the mayor's interest and knowledge and, though admittedly based on only a few meetings, sense a genuine desire on the mayor's part to reform the city's administration and management of its finances and public services. This suggests that the MFM project in Atyrau has a good chance of success.

On Wednesday, October 19th, the team was invited to meet again with the new Governor and the Mayor. The purpose was to discuss program goals and procedures. The Governor eloquently outlined his vision for the future of Atyrau and expressed strong support for the MFM project. He clearly understands the importance of management information systems and the role that MFM can play in the achieving reforms in finance, management and planning.

The Governor is interested in having the MFM project assist the city with a capital improvement plan and budget that can be used to help raise international investment capital on a scale needed for the city and the Oblast for development of services for the citizens and for foreign workers. He is interested in leveraging international investment through a steady income stream from oil exploration to the Oblast. (See attached memorandum from David Musante.)

The Governor noted the 500 Billion tons of oil in the region and the fact that when the pipeline deal is negotiated, there will be a tremendous influx of foreign workers, new population and economic activity. This will exert tremendous demands, he says, on the city.

Hopefully, the MFM program can become the foundation of a comprehensive business plan that will enable the city to borrow on the international market to improve and expand infrastructure. The Governor expects that such long term debt would be serviced

by proceeds from oil and gas exploitation in Oblast fields.

Finally, the Governor urged RTI to consider linking some of the Oblast Raeons into the computerization program. We indicated that we thought that would be possible. All agreed that the MFM resources in Atyrau are very limited in light of the tasks outlined and the needs. Hence, a very careful utilization of these resources would be required.

Based on initial discussions, a preliminary schedule for MFM project implementation is as follows:

- November: RTI systems analyst reviews current city programs and technology to determine computer requirements.
- December: Order computer hardware for Phase I, utilizing competitive bidding procedures. Only U.S. and Kazakhstan equipment is permitted under U.S. procurement rules.
- Jan-Feb: RTI systems and financial analysts Finance Department and other city departments (flow charting) to design appropriate hardware and software requirements.
- Jan-Feb: Design training programs for city staff involved in MFM project.
- February: Study tour of U.S. cities by selected senior staff members involved in the MFM project.
- February: Estimated arrival time for starter computer network equipment and software. Installation begins.
- Feb-Mar: Consultant to perform infrastructure assessment and preparation of capital improvement plan and budget.
- March: Begin intensive training programs for participants, supervisors and operators.
- May: Consultant to perform financial and economic analysis as a an input to City/Oblast plans to attract funding for its capital improvement program.

Attachment: a/s