

PD ABL-267
95185

WFM Project

MSI TRIP REPORT MOSCOW

By
Larry Cooley

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

Municipal Finance and Management
Project No. 5656
Contract No. CCN-0007-C-00-3110-0

May 9, 1994



P.O. Box 12194, Research Triangle Park, NC 27709-2194

MSI - Trip Report

Table of Contents

- I. Scope of Work - MSI
- II. Memo from Larry Cooley
- III. Major Tasks
- IV. Work Plan - Moscow
- V. Performance Monitoring
- VI. Performance Indicators

Center for International Development

May 9, 1994

Management Systems International, Inc.
600 Water Street
NBU 7-7
Washington, DC 20024

Dear Larry,

Below is the Statement of Work (SOW) for the activity to be undertaken for the Moscow Study Tour 2 Workplan, 207. Please prepare a cost estimate to include labor, travel and any other direct costs and return to me by May 13, 1994. As soon as I receive this information I will review it and forward it to our Office of Research Contracts. On acceptance by RTI, we will issue a contract modification to your subcontract to specify the activities to be accomplished under this SOW. Management Systems International will:

1. Conduct a one day workshop for the Moscow Study Tour 2 on Thursday, May 5, 1994. The objective of the workshop is to identify steps for implementation of the Moscow Workplan and provide a report to Municipal Finance and Management (MFM) Project Management Unit (PMU).
2. Work with the MFM Moscow team and counterparts to develop specific performance indicators for each element of the workplan. Indicators should be designed to show progress towards implementation of each element. The indicators will be assessed periodically to determine progress. Given the short duration of this MFM program, elements that fail to show progress will be dropped and their resources reallocated.

Illustrative indicators will be prepared in advance. MSI will work with the implementing agencies for each element to develop the indicators in the field. This field work will be performed in the period May 21 through May 28, 1994.

A final report will be provided to RTI/MFM/PMU no later than June 15, 1994.

Level of Effort: 9 days

Period of Performance: May 1 through May 28, 1994

Thank you for assisting us in this effort.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Chetwynd", with a long horizontal flourish extending to the right.

**Eric Chetwynd
Project Director
Municipal Finance and Management**

To: Norm Hickey, Al Sharp, Eric Chetwynd, RTI/NC
From: Larry Cooley
Date: May 30, 1994

I was in Moscow from May 22-27 working with the project to concretize its workplan, allocation of responsibilities and performance measurement. During this time, I held numerous discussions with Norm and Al, met with Joanne and George at the USAID Mission, and participated in two lengthy meetings with our Russian counterparts -- a meeting on Monday with Kemer Norkin and a meeting of Thursday with Norkin and a six person planning committee.

Several products of the TDY are attached to this report. The first is a document entitled MFM Moscow: Major Tasks which is a slightly revised version of the document produced by the second study team when they were in Washington. This document now appears to be agreed to by all as a starting point for more detailed planning. The second document, MFM Workplan: Moscow, was produced by Norm, Al and myself on the basis of the first document and, to the best of my understanding, was ratified in principle at the meeting with the planning committee. Responsibilities for each task were also agreed to at that time (Norm and Al have this information) and two Administrative Districts were identified as candidates for pilot areas. It was also agreed that the choice of a functional branch for pilot attention would await further investigation.

The third document, MFM Performance Monitoring, was prepared by me and reviewed with Norm and Al. It was shared with George and Joanne and with the Russian counterparts. USAID was struck by its ambitiousness but now realize that this ambitiousness is a reflection of the project design and other key project documents, as they currently stand. It is my impression that Norkin, who appointed himself the person responsible on the Russian side for performance monitoring, is generally in agreement with this inasmuch as I made a considerable effort to incorporate his comments on the earlier draft. He may, however, have some additional reactions after he studies the document in greater detail.

The fourth document, MFM Performance Indicators, was prepared by me as an elaboration of document #3. Given the short time I was there, it was not possible to discuss this document in detail, but copies have been left behind.

All documents except the fourth are in Russian as well as English, and it was my impression that Norm intended to translate the fourth document as well.

The fifth document attached to this memorandum was prepared by Mr. Norkin and is the form they intend to use for further detailing of the workplan.

Recruiting rapid and high quality technical teams for the first two tasks noted on document #2

is a matter of highest priority, and everyone there knows it. The Russians provided us with several documents directly pertinent to these activities which are being copied and/or translated for forwarding to Washington and RTI/NC as briefing materials for the prospective TDY teams. These documents include two MIS concept papers prepared by Moscow officials and approved in principle by the city (I think), and an excellent background paper prepared by the Urban Institute.

I had not intended to make subsequent trips to Moscow on this part the project, but both Norm and Mr. Norkin requested that I do so. I am not yet certain, however, about the feasibility of my doing this or about the role I might most usefully play.

In my judgement, the Moscow activity is at a critical juncture. I spent some time discussing strategic options with Norm and Al, and (in a much truncated fashion) with George and Joanne. I would be happy to share my thoughts on these matters with Eric and RTI/NC when and if that is appropriate.

MFM MOSCOW

MAJOR TASKS

Problem No. 1 - Creating Unified City Information System

Tasks: Undertake an expert evaluation of the concept existing in Moscow concerning the formation of a unified information system;

Work out a proposal for:

- optimizing and modernizing this system;
- organizing the administrative-management process for the creation and working of the system;
- a rational interrelationship between the central and local databases, a system of interaction between the central and local systems and the principles for a standardized information exchange.

Problem No. 2 - A system for formulating and exercising control over the implementation of the city budget (as a part of the city information system)

Tasks:

- Analyse the existing budget system. On the basis of this analysis make a proposal for improving the system of budget indicators, standardized forms of budget requests, a method for analysing the grounds for these requests.
- Determine which organizational structures are to take part in the formulating of the budget, as well as a list of those who are to make budget decisions.
- Offer assistance with the program software and technical hardware for the computerization of the budget process in the Finance Department, one branch and one territorial unit.
- Instruct the personnel who are dealing with organizing the budget process.

Problem No. 3 - Preparation of Reference and Information Materials

1. The competence and responsibility of the upper levels of city management and the mayor's (governor's) staff, the council and administration.
2. The system of taxes and payments in cities, states and Federal USA government.
A list of the taxes and the method of collecting those taxes, including user taxes.

Materials related to Problem No. 2.

3. The methods for evaluating real estate which are practiced in the USA:
 - based on the cost of construction,
 - by comparison with precedents of sales which have taken place,
 - based on the level of income (profit) being brought in by the firm.
4. Creation of a library (a reference information center) for "The Practice of a Model Administration".

MFM Performance Indicators

1.1 Recorded cases (questionnaire or anecdotal information through National League; confirmed by external evaluation; August, 1996)

1.2 Cases cited (interviews with Coordinating Committee and cases recorded in project files; confirmed by external evaluation; August, 1996)

2.1 Expert review (external or joint assessment; June, 1995)

2.2 Expert review (external or joint assessment; June, 1995)

2.3 Documented changes in procedures and policies (project records; external or joint assessment; June, 1995)

2.4 Change in recurrent cost (in constant rubles) of budget and financial management functions in pilot areas, 1995 vs. 1994 (locally commissioned research; June, 1995)

2.5 Change in per citizen budgetary cost of selected services in pilot areas (in constant rubles), 1995 vs. 1994 (locally commissioned research; June, 1995)

3.1 Specific indicators to be determined by on-site team and MSI in consultation with local counterparts: changes in performance against agreed indicators comparing June 1995 with June 1994 (locally commissioned research; June, 1995)

3.2 Expert review (external or joint assessment; June, 1995)

4.1.1 Breadth of distribution of budget, 1995 vs. 1994 (project analysis; February, 1995)

4.1.2 Existence/extent of public budget hearings (external or joint assessment, February, 1995)

4.1.3 Other indicators to be determined by on-site team and MSI in consultation with local counterparts

4.2.1 (see 4.1.1)

4.2.2 (see 4.1.2)

4.2.3 (see 4.1.3)

5.1 Expert review (external or joint assessment; February, 1995)

5.2 Expert review (external or joint assessment; February, 1995)

6.1.1 Plan completed and approved for testing in pilot areas (project records; September, 1994)

6.1.2 Improvements/innovations in content, process and/or timeliness of 1995 budget preparation in pilot areas (external or joint assessment; February, 1995)

6.1.3 Improvements/innovations in financial management in pilot areas (project records; external or joint assessment; June, 1995)

6.1.4 Recommendations for city-wide MIS presented and reviewed (project records; November, 1994)

6.1.5 Final report containing recommendations for city-wide improvements presented and reviewed (project records; July, 1995)

7.1 Performance against targets in training plan (project records)

7.2 Performance against targets in training plan (project records)

7.3 List of dissemination events/ activities and audience reached (project records)

7.4 Establishment, contents and (if possible) use of library (project records)

**MFM WORK PLAN
MOSCOW**

| Activities | Schedule | Responsibility |
|--|-------------------------------|-----------------------|
| 1. Analyze concept of integrated MIS for Moscow and prepare recommendations | July-October, 1994 | |
| 2. Analyze existing budget system and identify possible changes and improvements | June-September, 1994 | |
| 3. Identify automation requirements of DOF | July-September, 1994 | |
| 4. Obtain and install automation and software for DOF | October, 1994-January, 1995 | |
| 5. Analyze budget and financial management systems in pilot areas | July-September, 1994 | |
| 6. Identify automation requirements for pilot areas | August-September, 1994 | |
| 7. Obtain and install automation and software for pilot areas | December, 1994-February, 1995 | |
| 8. Implement improved analysis and procedures in pilot areas | August, 1994-July, 1995 | |
| 9. Plan and conduct study tours | To be determined | |
| 10. Plan and conduct training program and in-country workshops | To be determined | |
| 11. Provide on-the-job training for key technical staff | February-May, 1995 | |
| 12. Establish library | June-November, 1994 | |

| Results level | Standard | Indicators |
|------------------------------------|---|------------|
| | 2.4. Reduced cost of financial administration in pilot areas | |
| | 2.5. Reduced public cost for selected services in pilot areas | |
| 3. Effectiveness | 3.1. Demonstrable improvements in service delivery (e.g., quantity, quality, equity, access and/or cost-effectiveness) in pilot municipal district and functional area | |
| | 3.2. Policies adopted or functions redistributed in pilot areas to promote decentralization, private sector service provision and/or increased competition | |
| 4. Transparency/ Accountability | 4.1. Increased public knowledge of budgetary information in pilot areas | |
| | 4.2. Increased public influence on municipal services in pilot areas | |
| Project level (Field Site) | | |
| 5. Systems Support | 5.1. Equipment and software in place and operating effectively to support the central budget function of the Finance Department and pilot efforts in one municipal district and one functional area (heating or garbage collection) | |
| | 5.2. Integrated and improved budget and financial management system developed for the Finance Department and the pilot areas and implemented in the pilot municipal district and functional area | |

| Results level | Standard | Indicators |
|----------------------------------|---|------------|
| 6. Planning and Analysis Support | <p>6.1. Technical assistance outcomes achieved in the following areas:</p> <ul style="list-style-type: none"> * Plan for improvement of the budget process and implementation of improved process in pilot municipal district and functional area * Recommendations regarding the establishment and design of a unified municipal information system including the relationship between central and local systems and the principles for a standardized information exchange * Recommendations (based on experience in the pilot areas and other related analyses) for an improved system for formulating and exercising control over the implementation of the city budget (improved budget indicators, standardized forms of budget requests and methods for analyzing the grounds for these requests; rationalized decisionmaking structure, roles and responsibilities; automation of functions) | |
| 7. Training Support | <p>7.1. Senior decisionmakers provided exposure to US models through study tours and in-country workshops</p> <hr/> <p>7.2. On-the-job training provided to technical personnel responsible for operation of key municipal management functions</p> <hr/> <p>7.3. Information on experience in pilot areas and other relevant information disseminated to officials</p> <hr/> <p>7.4. Library established with reference materials on public management and public finance</p> | |

MFM Performance Monitoring

- Goals:**
1. Strengthen accountability and control by keeping track of results compared with plans and objectives.
 2. Improve decision making by clarifying information on objectives, alternatives, and consequences.
 3. Build understanding of MFM by providing information of significance to various audiences.

| Results level | Standard | Indicators |
|--|--|------------|
| National level | | |
| 1. Replication/ Demonstration (Benefit Spread) | 1.1. Adoption of project-supported innovations in additional cities | |
| | 1.2. Adoption of project-supported innovations in non-project localities and departments within Moscow | |
| Municipal level | | |
| 2. Efficiency | 2.1. More relevant, timely and accurate data available for pilot municipal district and functional area (heating or garbage collection) on: | |
| | <ul style="list-style-type: none"> * demand for services * level of services being provided * full and accurate cost of services * tax, fee, revenue and subsidy levels | |
| | 2.2. Improved data and appropriate analysis used in pilot areas to guide and reconcile decisions on: | |
| | <ul style="list-style-type: none"> * revenue and expenditure estimation * investment priorities * capital financing strategy * procurement management * preferred budget scenarios * service levels, standards and pricing * cash flow management | |
| | 2.3. Incentives adopted to reduce costs and increase efficiency in pilot areas | |

| | | |
|---|--------------------------------------|--|
| 13. Establish and implement performance monitoring system | Ongoing | |
| 14. Disseminate Moscow findings | December, 1994 and June, 1995 | |
| 15. Prepare final report proposing city-wide changes based on experience in pilots | June-July, 1995 | |