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MFM Project

TRIP REPORT VLADIVOSTOK

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Trip Report

VLADIVOSTOK

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SEPTEMBER 17 - SEPTEMBER 23, 1994

REPORT ON A VISIT TO VLADIVOSTOK BY ERIC CHETWYND, RTI AND TED PRIFTIS, USAID - SEPTEMBER 17 - SEPTEMBER 23, 1994

Purpose and Introduction

The purpose of the visit was to review with the Vladivostok MFM resident representative, Jim Alloway, the status of the MFM program there and its readiness for implementation. This report will be organized around the components of the MFM Workplan for Vladivostok, indicating in each case the state of play based on our discussions with Jim, his staff and his counterparts in the City administration.

Our first session was an intensive discussion involving Alloway, Priftis and Chetwynd in which all elements of the workplan were discussed and a course of action decided or agreed. The implementation plan was further developed in our subsequent meetings with Jim's counterparts, all of whom were very forthcoming and obviously ready to get on with the work. The whole process went very well and in each case left us with a clear set of priorities and steps to carry out that should enable us to move the program quickly.

Three Departments were identified during the visit as the core of the MFM program in Vladivostok, namely; Finance, Information Systems and Economic Development. These Departments are key management centers within the city administration and MFM has been invited to work in formative ways with all three. In addition, the program is concentrating on two service delivery activities in the public works area, namely, water/sewer and road and street maintenance. The *underlying strategy* of the program can be characterized as:

Moving into key departments of the city, strengthening them, and upgrading their ability to influence policy, management and action for improved delivery of public services and opportunities.

This strategy will underlie all project activities and all personnel assignments during the MFM tenure in Vladivostok.

Objective and Implementation Scheme of Workplan Components

- Finance Department - Implementing a Phased Approach to Improved Budget and Accounting Systems.*** The objective of this activity is to improve the effectiveness of the budgeting process in Vladivostok, making it a better management tool for city leadership and a better vehicle for improving city services to the citizens.

Problem. The budgeting process in Vladivostok, as in most Russian cities, needs to adjust to the new economic and political system of Russia, increased decentralization of authority and increased requirement to meet the cities needs from its own resources. The system needs to be transformed to a modern, automated program budgeting system. This would include improved accounting and budgeting procedures and systems, more in line with international standards.

Agreed Program. A program to set the transformation in motion was discussed during our visit with Ms. Galina Vishniakova, Director of the City Finance Department and a participant in the first Vladivostok study tour. It was agreed in that meeting that the program should include: (1) four to six months of consulting time of a financial systems expert; (2) installation of a LAN in the Finance Department, including also the five Racons; (3) linking that LAN with the Tax Administration of the Krai and with the Information and Economic Development Departments of the city; (4) installing basic and specialized software; and (5) training of personnel in its use. The financial systems expert would also assist the Department through one budget cycle with the new equipment and training.

Status. Bids for a starter LANS system for Finance and Information have been received and were opened during our visit. The order will be placed within the next two weeks. Mahesh Reddy, a Financial Systems expert with considerable experience in Russia, has been selected as the advisor and was approved by Chetwynd and Priftis during the visit.

Next steps. It was agreed that implementation would require the following:

1. The MFM PMU already has contacted Reddy about coming out to Vladivostok beginning on or about October 24th. He will be signed on as an RTI consultant and prepared for his initial two month assignment, which will include also assistance with the LAN installation.
2. Jim Alloway will prepare a detailed scope-of-work for Reddy in the next two weeks, in consultation with Galina. Rough elements of that scope include: (a) an interactive learning and teaching approach; (b) development of baseline understanding of the present system and practices as a point of departure and for the record; (c) development of improved approaches to cash accounting, revenue and expenditure projections, automation of hand reporting and design of speed reporting; (d) assistance with configuration of the initial starter LAN, including preparation of a scope of work for a systems hardware/software specialist to come to Vladivostok for completion of an ADP report for the extended Finance LAN and linkages with the Tax Administration; (e) preparation of the Department employees for attendance of the RTI MFM course prior to Reddy's next two month assignment next year; (f) assessment of software and training needs and development of a strategy for their realization; and (g) development of a realistic timeframe for accomplishment of the finance program.
3. Expansion of the LAN to include a link with the Tax Inspectorate (which is having its own system installed by a Boston firm) and installation in the Racons.
4. Attendance of Finance Department at the RTI MFM course, including Racon and Krai officials. (Note: We are to send a copy of the course outline to Vladivostok).
5. Development of a plan for other training, as needed.
6. Investigation of software options.

7. Intensive work on the 1995 budget cycle.

II. *Strengthening the Information Systems Department.* The objective of this activity is to strengthen this department in its ability to carry out its mandate, which is to support, promote and maintain computerization and networking for the information and management systems of the City Administration. This mandate makes the Information Department key to implementation of much of the MFM program in Vladivostok and to sustaining and furthering its management systems in the years to come.

Problem. This department has just been established and lacks the computers, software tools, organizational structure and trained staff to effectively carry out its huge mandate.

Agreed Program. MFM has a unique opportunity to help build this department, virtually from the ground up, and has been invited to do so by Department Director, A. Naumov. MFM will provide a short term advisor to the systems department and will put together a study tour for key staff that will expose them to effective information programs in U.S. cities, such as Phoenix, Dallas, Houston and San Diego. The Department also will be provided with the computers and software required to become fully functional, including appropriate training.

Status. The Information Systems Department already has assisted MFM with design and clearances for the starter network in Finance and will act as the systems administrator and server for that system. The Department also is working with the Economic Development Department on strengthening of its computer capability.

Next Steps. It was agreed that implementation would require the following:

1. Jim will get with Mr. Naumov over the next two weeks to develop a scope-of-work for the short term advisor. Basic elements of that scope (which also should indicate timing and duration) include: (a) complete development of the department's scope of responsibilities; (b) help design it's staff structure and training needs; (c) identify the information, tools and software required for the department to become more effective and work with the RTI systems expert in developing the ADP; (d) assist with development of the information study tour and accompany that tour.

2. RTI will identify an expert that fits this scope and arrange for his/her travel to Vladivostok once the scope-of-work has been completed. Jim says this person should be experienced with city OMB type work.

III. *Economic Development Department.* The objective here is to strengthen the Economic Development Department as a policy support unit within the city administration. This activity will be called here "Policy Development Support and Income Maintenance" - consistent with the real functioning of this Department. It is not the traditional economic development unit charged with attracting enterprise and

economic activity to the city. Its four Divisions include: Economic Forecasting (including economic planning and statistics), Pricing (of city services), Market and Services (keeps track of city's large, medium and small enterprises), and Investment Contracts (private and municipal investment projections and capital budget needs). This department has a new and dynamic director and, seemingly, a new mandate. Jim feels that they will be functioning, in part, like an OMB operation, gathering and processing data and feeding it to the city's decision makers. This department obviously also has a major input into the city's capital budgeting priorities. Currently, these are public housing for military and teachers, water pipes and a new water network. The department maintains that there is a huge scarcity of water, electric power and heat which constrains new construction. See Annex 2 for description of responsibilities of the four divisions.

Problem. This department gathers and processes a huge volume of information, but it is all done by hand. Linkages are needed with other agencies, and especially the statistical agency of the Krai and the City Finance Department. Further, the department needs to be upgraded and modernized to meet the challenges of a changing system of governance and economies. The structure needs revision, old regulations need to be reviewed for current value and relevance and staff need to be trained in new ways of approaching their work.

Agreed Program. RTI-MFM was invited to assist across the board in this upgrading. We agreed to provide a short term advisor to look at structure, regulations and training needs. We will install a LAN with appropriate software and will link the department with the Department of Finance and with the Krai Statistics Department. Training will be provided to provide staff with new skills and approaches.

Next Steps.

1. Jim should, in the next two weeks, work with Ms. L. Sevastrainova to develop a scope of work for the short term advisor. The rough content of the advisor's scope would be to: (a) develop a baseline statement of how the department currently functions; (b) review its organizational structure and functions and recommend improvements; (c) review its regulations and recommend streamlining; (d) recommend a training program to upgrade personnel; (e) assist with an ADP plan for the department. The advisor should also assist with practical problems such as development of a Capital Improvement Plan for the city.
2. The PMU and RTI Park will identify candidates available for the short term advisor positions. One possibility would be for Sam Leaman of RTI to come to Vladivostok or to identify an appropriate advisor. Eric met with Sam on 9/27 and Sam agreed to correspond with Jim Alloway on the scope for this activity and then to assist with finding the appropriate advisor for the job. This activity will be ongoing during October and Jim will meet with Sam to identify activities to pursue as soon as possible. The advisor should be available no later than October will November.

IV. Water and Sewer Department -- Reducing Leakage and Wastage in the Water Supply System and Improve the Rates and Billing Structure. The objective of this program is to help turn the department around by working on just a few key problems.

Problem. The Water and Sewer Department estimates that it loses 40% of its water through leakages in the distribution system. Roughly 16% of this loss is underground and the rest occurs through problems above ground, e.g., through faulty pipes and fixtures in buildings. Still more water is wasted due to an inadequate rate structure or means of collection. For example, there are no water meters at individual apartments. The department is owed 12.5 billion rubles from unpaid bills, is 6.5 billion Rubles in debt and lacks the funding to make improvements in the system, even though 65% of the physical system is deficient. Chronic shortages of water deprives citizens of an adequate supply water for domestic and other uses. This cycle must be broken. Leakage must be reduced dramatically, the rate structure must be changed and the system of water consumption reformed (when water is priced too cheaply, wastage results).

Agreed Program. Initially, we had proposed a management audit for the Department, and this might still be a good idea at some point down the road. However, during this visit, we decided to do something more direct and visible with a more immediate impact since the major problems are well known. We have agreed with the Department Director, Mr. Valeri Kudryashov, on a specific set of activities for the MFM program. We will provide experts and, if needed, equipment, for leak detection and reduction. We will provide an expert to work with the Department on rate structures, billing and collection, including pilot installation of unit water meters. This element of the program will seek to move the program incrementally towards full cost recovery.

As requested, we will also (Valeri Marfitsin?) look at the legal structure governing the water supply and distribution system in the event there are serious legal constraints to an improved system.

Status. The problems have been identified, the Department leadership has invited MFM to work with it on some major improvements and reforms. The basis for continued dialogue between Department leadership and Jim Alloway has been established.

Next Steps.

1. Jim will work with the department over the next two weeks to develop the scopes of work for the two experts that will be needed -- rate structure reform and leak detection and elimination. A rate structure reform expert will look at metering prospects, rates and billing procedures that will yield a return sufficient to maintain the distribution system, and the laws that govern this sector. The leak expert will look at underground leak detection, including ordering and training in use of leak detection equipment, leakage above ground and more rational water use (this ties in with the rate structure program). Both experts will develop a time frame for their respective programs and specifications for any equipment that needs to be

ordered.

2. MFM-PMU will begin to identify candidates for these positions (Alan Wyatt knows some excellent resources) and will review them with Jim and Ted.
3. Jim and the PMU will develop a schedule for field work.

V. Public Works Department -- Street Maintenance Program. The objective of this activity is to make a major impact on public works improvement through management systems.

Problem. The city of Vladivostok suffers from very serious deterioration in its streets and roads due to severe conditions and topography and lack of adequate maintenance. The problem is seen by many local officials as a money problem. No money -- no progress. There is much public dissatisfaction. Better utilization of available funds would result from the system we propose.

Agreed Program. The U.S. uses software management programs that will enable the city to have an up to date inventory of road conditions and to generate scenarios and strategies for maintenance, based on funds available. The program will generate options and strategies and cost factors that will help to justify more funds based on potential future savings that can be achieved. We have agreed to provide an expert in this road maintenance management system to work with the Public Works department, select and install such a system, train the Department in its use (include possibly a study tour), and bring it on line.

Status. The Department has expressed a desire and readiness for such a system and has pledged its cooperation.

Next Steps.

1. Jim will work with Mr. M. Uslavtsev, Deputy Head of the Department, on a scope of work for this expert. The expert will assess the situation, develop a baseline report, identify the relevant software program, specify the computer hardware and software that is needed, design an appropriate training program, and get the system up and running. This means also, setting up the initial field survey for the street inventory and initial input data.
2. MFM-PMU will work with RTI/RTP to identify the expert that is needed for the job. Alan Wyatt has some leads and Jim Alloway also has some leads he will furnish.

VI. Other Activities. There are three other activities that could become part of the program. These are a **Capital Budgeting** activity and a **GIS** program. The **GIS program** may be an appropriate one for MFM to fund, but there still are many questions about where responsibility will rest, whether the product will be used by senior decision makers and how much it would cost. These issues are to be worked on further by Jim Alloway and his staff.

He may call upon an expert from Moscow or the USA if needed to assist with his assessment. Whether or not to proceed with some form of GIS program will depend upon the outcome of his assessment.

Capital budgeting is important to Vladivostok but whether it needs to be treated as a separate program is another question. The Economic Development and Finance Departments both have responsibilities and a stake in a capital budget as do the two line agencies with which we are working. There also must be a major involvement of the Krai in this activity. It was decided that this activity could evolve from the RTI Capital Resources workshop that is being planned for January or February of 1994. The workshop will be open to as many as 50 people and last for three days. The Krai Finance Department has expressed a keen interest in the seminar and in participating in it.

Jim McCullough and /or Valeri Marfitsin should plan on coming to Vladivostok prior to the workshop (November or December) to do some baseline work and develop a solid foundation for a meaningful workshop in Vladivostok. The U.S. Counsel, Ms. Desiree Millikan expressed an interest also in opening up the seminar to representatives from other cities in the region.

So, this exploratory work, the workshop itself, and the interests in capital budgeting on the part of almost all of the units with which we are working, will form the basis for our capitals budgeting activity. The ingredients are at hand and a more concrete program will be developed after the workshop in February. However, it will work toward a capital budgeting process, and not a capital budget per se. This should be the work of the city and its clients. The key to this activity is that it addresses the necessity of Russian cities to raise capital locally and to do their own planning and programming of capital projects.

VII. Concluding Comments. We were left with no doubts that the city is ready to move on the MFM projects. We were greeted cordially by the Deputy Mayor and he encouraged our rapid implementation of the program. The MFM Office in City Hall has a good beginning and will be expanding to include additional technical personnel. We will make every effort to get the consultants out to the field for initial implementation of the above activities in the October/November period. Jim Alloway and his staff are doing an excellent job and used this visit very effectively.