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MFM Project

TRIP REPORT FIELD TEAM START UP VISIT MOSCOW & NIZHNY NOVGOROD

By
Norm Hickey, Bill Fuller, Juliet Johnson

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

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

Municipal Finance and Management Project

Trip Report

Field Team Start-up Visit

**Moscow
Nizhny Novgorod**

**Norm Hickey, RTI
Bill Fuller, RTI
Juliet Johnson, RTI**

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**TRIP REPORT
FIELD TEAM START-UP VISIT
MUNICIPAL FINANCE & MANAGEMENT PROJECT, RUSSIA
SEPTEMBER 18 - OCTOBER 3, 1993**

I. Summary

Norman Hickey, Resident MFM Project Manager, William Fuller, Resident MFM Training and Organization Advisor, and Juliet Johnson, RTI Technical Manager carried out initial start up activities in Russia under the Municipal Finance and Management project. The main purpose of the field team visit was to review and obtain agreement on the Memorandums of Understanding between USAID and the cities of Moscow and Nizhny Novgorod. A secondary agenda was to determine the key issues which should be covered on the study tour and arrange for our counterparts participation in the program. Two days after the team's arrival in Moscow, the President of the Russian Federation, Boris Yeltsin, dissolved Parliament; thereby creating a constitutional crisis which not only captured worldwide attention, but absorbed the time and energy of our Moscow City Government counterparts and high level officials in Nizhny Novgorod. Despite the political turmoil, our counterparts confirmed their intention to meet the conditions precedent for the project and expressed their enthusiasm for the study tour. Thus, the team was able to accomplish its main objectives as described below.

Memorandums of Understanding

The purpose of the Memorandums of Understanding is "to define mutual objectives and to register the commitments of the two parties" to cooperation on the municipal finance and management project. The three main objectives of the project are to: a) introduce the city to the best available techniques for municipal finance and management; b) install applicable computer software and hardware systems; and c) conduct related training programs. In the MOU, the U.S. Agency for International Development commits to providing long and short term expatriate technical assistance; long term Russian professional assistance; computer hardware and software; and training. For their part, the cities of Moscow and Nizhny Novgorod agree to appoint a full time project counterpart and a coordinating council that will provide technical guidance to the project, and to furnish office space, international phone lines, secretarial support, and transportation to the resident team. (Please see Annex A for the complete text of the Memorandum of Understanding). The team presented and discussed the Memorandum of Understanding in each city, and the results are described in the respective sections below.

Study Tour of Municipal Finance & Management in Selected U.S. Cities

The objective of the U.S. study tour of municipal finance and management was three

fold. First, USAID and RTI project staff felt it was important to begin the project with a tangible activity in order to indicate to our Russian counterparts our commitment to its goals and readiness to implement. Second, we wanted to introduce our Russian counterparts to specific American municipal finance and management techniques which, in a modified form, could be adopted by their respective city administrations. Third, we planned to have a workshop at the culmination of the study tour at which we could work closely with our counterparts on reaffirming the project objectives and determining the priority tasks for the coming year. The team found that the city officials in both Moscow and Nizhny Novgorod appreciated the gesture of opening the project with the study tour, were eager to provide information regarding their program interests, and looked forward to the opportunity to develop the workplans at tour's end. A detailed account of the discussions and arrangements for the study tour for each city is included in the sections below.

Because the USAID training office was not yet established, and the Partners in International Training (PIET) office which had been responsible for processing participant trainees was closing down, the team spent an unexpectedly large amount of time arranging the logistics for the participants departure on the study tour. The outgoing PIET office manager and USAID staff were extremely helpful in this regard.

II. Moscow

A. Memorandum of Understanding

The draft MOUs were distributed and discussed at length with Mr. Kemer Norkin, Director General of the Moscow Mayor's Office. In response, Mr. Norkin presented a draft Mayoral decree which he had prepared for the project (please see Annex B). The team was very pleased to see that the Moscow Mayoral decree closely resembled USAID's Memorandum of Understanding. The decree states that Mr. Norkin has been appointed as the coordinator for the project. However, he informed us that he would delegate much of the operational work to Ms. Svetlana Bachurina, Head of the Long Term Development Department, who has completed substantial conceptual work on integrated computer systems for the city; and Norkin's deputy, Magagonov, who is in charge of a legal and regulatory data base for the city and the republic. The team was very impressed with both of these individuals and believes they will be excellent counterparts. Norkin also said that the Coordinating Council would designate representatives of their departments to form working groups on specific project tasks.

The decree specifies that a Coordinating Council would be established for "organizational and methodological monitoring of the project". Mr. Norkin objected to the language "Advisory Committee" in the USAID MOU because this implies that the committee members are from outside the government - i.e. either they are foreigners or the private sector. We assured him that this was a translation problem, that USAID and Moscow City government are in full agreement that this body should be comprised of individuals representing the involved city government departments. The composition of the Coordinating

Council is as follows:

Head of Council	Konstantin Buravlyov	First Vice Premier of Moscow City Government, Deputy Mayor of Economic Reform
Executive Secretary	Kemer Norkin	Director General of the Moscow Mayor's Office
Members	Victor Astsaturov	Director, Moscow Land Committee
	Alexander Voronin	Director, Moscow Computerization Committee
	Yuri Korostelev	Minister of Finance, Moscow City Government
	Alexander Nikitin	Director, Moscow Property Committee
	Yuri Roslyak	Head of Capital Investment Board
	D. Chernik	Director, Moscow Tax Inspectorate

The decree indicated that the Mayor wishes to approve a more detailed terms of reference for the project in early December. In their meetings with several members of the Coordinating Council, including Messrs. Buravlyov, Korostelev, Astsaturov, Norkin, and Ms. bachurina, the team attempted to elicit preliminary information regarding the project priorities. Because of the continuing political crisis, our counterparts were reluctant to engage in a detailed discussion of the project. They each independently stated that the specification of the project would occur during the study tour. The members of the Coordinating Council rarely meet each other in Moscow, or have the time to concentrate on the project, thus the study tour was seen as an ideal opportunity for the group to develop the project's priorities together. Clearly, if the study tour went forward, this would also indicate that the political crisis had been resolved in a manner favorable to the current city administration.

Lastly, the decree stipulates that the Moscow city government will provide the required logistical support (office space, transport, secretarial service).

The draft decree shown to us by Mr. Norkin had already been signed by Mr. Korostelev, and Mr. Buravlyov, who is the designated supervisor of its execution. Mr. Norkin indicated that the Moscow Mayor would like to have a formal signing ceremony of the decree in December 1993.

B. Study Tour

Because of the conflict between the President and the Parliament, the team was very restricted in its ability to meet with project counterparts. The Mayor's department is located right next to the White House, where the Parliament members had barricaded themselves. Although we were able, after much difficulty, to cross the military barricades for meetings with Mr. Norkin in the Mayor's office, it was impossible to coordinate a meeting for the study tour participants. We decided to invite all of the members to a dinner outside of the

central area of conflict. At the dinner we reviewed the itinerary of the tour and discussed with each member what issues they would like to cover. We also explained how to complete the necessary paper work, particularly the J-1 visa forms and the medical exams. The dinner was a success, it enabled us to meet all of the coordinating council members, and it demonstrated USAID and RTI's commitment to the project.

Upon our return to Moscow after visiting Nizhny Novgorod, we had the opportunity for a separate meeting with Mr. Buravlyov and Mr. Korostelev at the Ministry of Finance. For the study tour program, they expressed a particular interest in revenue collection systems and budget structures. Mr. Buravlyov stressed that they were tired of "all talk but no action" from donor agencies, and that the study tour indicated to him that USAID and RTI were serious about the project.

The team also met with representatives at the Office of International Relations and Protocol at the Ministry of Foreign Affairs, USAID officers and the PIET staff, in order to make all of the necessary logistical arrangements for the participants.

III. Nizhny Novgorod

The team's trip to Nizhny Novgorod was also disrupted by the Federation's political crisis, because the Mayor and the City Council were involved in the ongoing discussions. Furthermore, Ms. Palkina, the Director of the Department of Finance, and the key counterpart for the project, was hospitalized during our stay. Nonetheless, we did meet with Mayor Bednyakov, and two of Ms. Palkina's deputies, Mr. Askinyin and Mr. Silkin. We also met with the directors of the regional and national training institutes for municipal finance and management.

A. Memorandum of Understanding

We discussed the Memorandum of Understanding with Mr. Aksinyin, Deputy Director of the Finance Department. Mr. Aksinyin distributed copies to the Mayor and Ms. Palkina. We have since received comments on the MOU from the Mayor, who has suggested a few minor changes in language, which will be reviewed by AID legal counsel.

Ms. Palkina has designated Mr. Askinyin as the operational project counterpart. They have not yet formed a coordinating council, but all indications are that it will be headed by Ms. Palkina, and include other members of her staff, such as Mr. Aksinyin, Mr. Silkin, and the head of the Tax Inspectorate, Mr. Malev.

The city administration's preparations for meeting the logistical support requirements for the project are well underway. They have set aside office space for the resident advisor, Mr. Fuller, next to Mr. Aksinyin. In addition, they are providing two apartments for the project, one for the resident advisor, and one for intermittent short term advisors.

B. Study Tour

When the team arrived in Nizhny Novgorod the representatives for the study tour had not yet been selected. We discussed the urgency with which we needed to identify the participants with the Mayor, and he approved a delegation at the end of our first day. Finance department staff comprised two thirds of the delegation.

Mr. Silkin and Mr. Aksinyin presented us with a list of issues related to Municipal Finance and Management which they wanted to address on the study tour. The list included broad questions on overall city management, and specific questions on municipal revenues, expenditures, and property management.

Upon review of the list, and after several in-depth discussions with members of the delegation, we decided that it would be best to separate the Moscow and Nizhny Novgorod study tours. The two cities were sending delegations of very different compositions with different interests. We felt that the objectives of the study tour would more likely be accomplished through customized visits for each city. In addition, the Nizhny Novgorod group was also behind schedule in terms of obtaining passports, visas, medical exams, and the original dates for the combined study tour did not seem feasible for them. City officials in both Moscow and Nizhny Novgorod were pleased with the change.

C. Training Institutions

The team met with the national training branch of the Ministry of Finance, the Finance Training Center; and the regional civil service training institute, the Roskadry. The purpose of these meetings was to assess in a preliminary manner these institutes' suitability for providing project related training.

The Roskadry serves the Volgo Vyatsky region, which includes three republics and seven areas with a total population of about fifteen million. However, the Roskadry's primary client is the oblast and city of Nizhny Novgorod. The Volgo Vyatsky Roskadry reports to the central Roskadry based in Moscow. The Roskadry currently has a staff of 100 instructors, who may also work in government or private consulting. They also supplement their staff by inviting city and oblast officials to deliver lectures on an as needed basis.

The major differences between the two institutes is in the content and length of their training. The Roskadry curriculum is focused on public administration and business management. They offer a two year university program in state and municipal management to recent high school graduates. The first class will receive their Bachelor's degrees in 1994. Oblast and city officials, who already have a university degree and several years of work experience, can enroll in the Roskadry for their one and half year mid-career professional degree. The Roskadry has developed the management curriculum themselves but because the subject matter and the profession is relatively new, the administration feels that their instructors need more training in American public administration and business management.

Computer training is also part of the curriculum; however, because they have outdated equipment and lack financial software, students are taught only the use of basic spreadsheets.

The Finance Training Center provides short, refresher courses to finance professionals from all over Russia. Their trainees come from tax agencies, state and municipal enterprises, and finance departments. The Finance Training Center offers a one month course for groups of twenty-five financial and budget management staff eight times per year. The one month course covers nine topics: fundamentals of a free market economy; structure and planning of budget revenues, budget implementation and control; planning and financing of all branches of the national economy, social services and cultural affairs; financing of the state enterprises; budget management; computerization of financial services; and finance and labor law. Almost 50 percent of the course lecture time is devoted to the two budgeting topics; and 40 percent concentrates on the planning and financing of the national economy. Ten hours of the one month course is computer training. Like the Roskadry, the Finance Training Center is short on computers and the related financial software. The Finance Training Center's instructors and facilities are currently underutilized; therefore, the staff felt they could train finance professionals under the MFM project if they were provided with the necessary computers, software and specialized training.

Since the MFM project training is likely to concentrate on providing finance and related department staff with short refresher training on specialized municipal finance approaches and techniques, and training on financial computer software, the team felt that of the two institutions, the Finance Training Center was the more appropriate training vehicle. However, there may be other training institutions in Nizhny Novgorod, including the city administration's own department, which would be more effective. Mr. Fuller, the Resident Training, Organization and Management Advisor will assess the capabilities of other institutions after he establishes the project office in Nizhny Novgorod in December.

D. Computer Systems Specification

As in Moscow, the city officials made it clear that this project has been in the development stages for a long time, and they are ready for implementation. The Finance department requested that we meet with their computer systems experts to discuss their computer hardware needs. As none of the team members were computer specialists, we suggested that the project send RTI's management information systems expert, along with two specialists from American Management Systems, to Nizhny Novgorod to develop a preliminary specification of the Finance Department's computer hardware configuration. This proposal was readily received and the team immediately began arranging for the RTI/AMS computer assessment.

IV. **Minutes of Meetings**

The content of key meetings has been incorporated into the main body of this report. This section provides a record of information that was gathered that was not necessarily

related to the primary objectives of the field trip, but is still useful for the project.

Moscow

Ms. Svetlana Bachurina, Long Term Development Department, in charge of developing the Moscow City Government Management Information System.

October 1, 1993

Ms. Bachurina worked closely with the World Bank team on the project assessments. She had reviewed the MOU and she complimented the menu of systems applications. She was pleased that the AID project had taken many of the Bank's teams' recommendations. She is personally most interested in geographic information systems, cadastral systems, taxation, and property management. The Institute for Urban Development, where she works part time, is heavily involved in computer systems. She thinks that we need to start the computerization from the bottom - up. She suggested that one of our tasks on the study tour will be convince senior officials that computerization does not mean having computers on their desk. If there are no computers at the district level, there will be no information for senior officials to access from the computers on their desk. Bachurina supports implementation of a pilot system at the central administrative district, she thinks that they are the most prepared because they have already developed the general concept of integrated computer systems.

Mr. Leonid V. Batalin, Prefect of Central Administration District;

Dr. Boris S. Petrukhin, Counsellor of the Prefect

Friday, September 24

Mr. Batalin indicated that implementation of our project will be hampered by the weak administrative structure of the city, particularly the unclear lines of authority and responsibility. Under the former system, there were 33 districts in Moscow, each with their own representatives, executive agencies, and budgets. In 1991, 10 administrative districts were created (okrugs) but their borders did not coincide with the former districts. The okrugs are composed of "municipal districts". The Central Administrative District (central okrug) is different from all the other okrugs. The municipal districts in the CAD are called "territorial administrations". The territorial administrations have management responsibility for the industrial enterprises, services, and construction sites services within their territory. Municipal districts in other okrugs have no authority over industrial enterprises, services, or construction sites, just housing quarters. In the Central Okrug power is balanced between the okrug and their territorial administrations. In the other okrugs, power is concentrated in the okrug, at the expense of the municipal districts. Other special attributes of the Central Okrug - 30% of industrial enterprises of Moscow are located there, 50% of construction sites, and 40% of trade organizations. The main transportation links (railways, roads, metro) are concentrated here as well. The daily population is 2 million, although there are only 670,000 registered residents.

None of the okrugs formulate their own budgets. Budget development is centralized at the

city level according to a standard formula. Financial resources are concentrated at the city level and then redistributed to okrugs. Money is disbursed on a quarterly basis. Allocations are based on certain fixed expenditure norms which do not account for the specific conditions of the okrug. Okrugs do present proposals of their expenditure requirements to the center, but there is no budget schedule for doing so. The expenditure figures are developed at the beginning of the calendar year, and then these amounts are used to form a budget. A draft budget is prepared by the City of Moscow and then introduced to the city council. There is a draft of a new city charter which would allow for the formation of budgets at the local level, but it is on hold. The okrugs need rules about whether they can have their own budgets.

The Central Okrug can easily generate enough revenues to cover expenditures. 45-47% of the city government's income comes from the central okrug, but only 8-9% of the city's budget expenditures are allocated to the central okrug. The rest of the Moscow okrugs are spending money generated by the central okrug. The Central Okrug has to keep expenditures low in order to stay within their available resources. Local governments provide solid waste collection services and road maintenance but they don't have the funds to perform the job well; consequently, they are criticized for a doing a bad job although the reason is because they don't receive adequate funding from the central government. Responsibility for providing services is shifting, but the money doesn't follow.

The okrugs have little official influence over their income generation. There is no legislation that establishes their right to collect revenue.

Overall city income could be increased by improving tax collection and introducing new local taxes. For example, rent is a potentially major source of income. The city does not collect the considerable sums that it could from leaseholders. The money is there but they don't have any mechanism for collection it. They need the technical means, legislation or "rules of the game", and personnel.

Each okrug head (called a prefect) is a member of the city government, and also a deputy of the prime minister of Moscow. They give advice, they are not listened to. They cannot get their allocation of the city budget increased.

Extra budgetary resources were especially important this year for the central okrug. The city government sets rules about the use of extrabudgetary resources, but the okrugs still have some flexibility in allocating these funds. Extra budgetary funds come from taxes on kiosks, street advertisement. The prefect does not think that they are capturing all potential income and that there are some "lost possibilities". Now the city government would like to include the extra budgetary resources in the overall city budget. The prefect hopes that there will be greater financial independence for the districts. There need to be some rules that part of the income remains in the okrug and is spent by the okrug. He feels that the lower level should ask the higher level for guidance only when it concerns expenditure of money from the higher level.

In the prefect's opinion, the main unit of the project should be the okrug: 1) because of the amount of income they collect & manage; one cannot form a realistic budget at the municipal district/territorial administration level; 2) differences are greater between the city and the okrug, not the okrug and the municipal districts/territorial administrations; and 3) the human factor - the central city level is full of ambitious people who want more control, the okrug personnel are closer to the ground and involved in concrete issues.

Albert A. Ryvkin, Director of Institute for Urban Development

Thursday, September 23

Director Rifkin initiated the development of the Moscow Chamber of Commerce. He has also created a bank and a trading company.

It is impossible for the Institute to conduct urban research now because of the lack of funds. In 1990 Rifkin constituted this Institute as a joint stock company with the partnership of an Italian firm. This is the first joint stock company in Russia. They are trying to attract private capital to do applied research. For example, they have completed a lot of work on waste collection. They are developing a technology for processing the waste which is based on the waste composition that is particular to Russia. Foreign technologies would be inappropriate in Russia, and besides, the country can't afford imported equipment. Moscow City has taken steps to contract out waste collection. The Institute has also conducted applied research in heating systems. The operational cost of heating a square meter in Moscow is about \$88, compared to about \$15-17 in other cosmopolitan cities. Rifkin believes that the initial investments to reorganize and restructure the heating systems in cities are relatively small, so he thinks that this might be a good service to focus on.

Nizhny Novgorod

Valery Silkin, Chief of Budgeting and Control, Finance department

Monday, September 27

Mr. Silkin was kind enough to describe the municipal budget process in Nizhny Novgorod. The budget development process used to begin in June and end with the adoption of the budget before December 31. The Ministry of Finance reviews oblast expenditures and revenues collected from the previous year. The oblast presents its estimated expenditures and tries to defend its calculations with the MOF. The city can provide input to the oblast regarding the expenditure forecasts. The MOF and oblast negotiate a memorandum of understanding on the amount of funds that the oblast will receive by the end of September. Once the oblast receives money from the MOF, each district in the city negotiates for their portion of the budget. The city council sends each district manager a protocol specifying the maximum percentages they can spend on certain items in the budget, such as you can't spend more than x % of your budget on roads. These percentages can vary by district. The districts are free to develop their budgets within these limitations and then they are totally

responsible for implementation. All the district budgets are compiled into the city budget by January 1. Because of the current high rate of inflation, this process which was once a year now takes place once every three months.

The capital budget is developed by the city, namely the capital construction office, the districts do not plan capital investment. Seventy to seventy five percent of the capital budget is devoted to housing and housing maintenance. The remainder is spent on health care and education.

Municipal enterprises have separate budgets, but they only develop it once a year, even during these inflationary times. Their budgets are amended as needed. The municipal enterprises are heavily subsidized, 85% covered by the city budget. The city is trying to keep tariffs low because the enterprises revenues are seven to ten percent of the city budget.

A major problem is that military enterprises that used to provide housing and education are now trying to transfer these responsibilities to the city.

The city development department can sign contracts with private enterprises for maintenance and construction. These private enterprises must be registered with the city council.

Mr. Silkin thinks that it would be a good idea to install budgeting systems at the district level, since that is the level which actually develops budgets. He suggests the Kandinsky district or the Leninsky district.

The city needs a lot of computer training, 90% of the staff do not know how to work with computers.

Mr. Silkin mentioned two new sources of income: a) 1.5% housing maintenance tax on all state enterprise revenues. This tax is collected by the district, but a city coordination commission determines the allocation of receipts. All the enterprises pay the tax on a monthly basis. b) an education 1% tax on state enterprise salaries to support schools. This revenue goes to the oblast budget, even though it is districts which finance schools.

In the computer section of the Finance department: they have 286 computers but they need 386s. They have 3 workstations and they estimate that they need 30 workstations. The computer person wants software methodology ("tools") so that they can design their own software, not applied software that has already been developed.

Director Vladimir Maltsev at the Regional Roskadry Personnel Center
Wednesday, September 29

There are seven Roskadrys in Russia that they all report to the central one in Moscow. They train civil servants in government departments and city administrations. The Nizhny Roskadry covers seven oblasts and three republics, but they primarily serve Nizhny

Novgorod. The Roskadry worked in parallel with the World Bank team on the design of this project, Dr. Maltsev spent 2 months in D.C. at the World Bank, he has been in contact with Mr. Deikun and others from AID regarding the project.

The Roskadry trains state officials at the oblast, city, and raion level. They have a special emphasis on municipal management. Russia has never had the profession of city management or administration. It emerged when the government was restructured in 1991 and needed new types of government officials.

At the Roskadry, there are two types of trainees. High school graduates are enrolled in a B.A. program in municipal management, the first group is matriculating next year. Government officials with university degrees and several years of working experience attend the Roskadry's retraining refresher course of one to one and a half years in length. The course is modeled on American public administration. Two graduates of this program are now Vice Governors. The Roskadry also provides short courses to state officials and they have held workshops on the subject of municipal management with American participants/presenters. They cannot yet offer a master's degree course because it requires approval from the central Roskadry in Moscow.

The Roskadry offered to train the city officials with whom we work on the project in Nizhny Novgorod.

One of the Roskadry's institutional needs is training of their instructors in public administration and business management. The Roskadry has a staff of about 100 teachers, but they also supplement this group by hiring civil servants from city administrations as instructors. The project could help in two ways: lectures by experts from RTI on the subject of municipal management in Russia, and sending Russian instructors to the U.S for teacher training. The lectures & training should address not only content but also teaching methodology.

The Roskadry also needs modern equipment for training - such as overhead projectors and computers. In terms of computers, they have 286s, which are very outdated. The Roskadry cannot teach sophisticated financial software on 286s. The Roskadry gave us a list of their computer needs. The Roskadry needs the equipment (computers, projectors, tape recorders) so that they can train not only officials from Nizhny but also those from other regions, which is they suggest that the training equipment should not be solely concentrated in the Nizhny city administration.

USIA has a list of books that the Roskadry would like translated; however, to date no American books have been translated. By contrast, the French and the British have already translated municipal management & finance texts into Russian. The Roskadry cannot finance translation of materials and looks to our project to fund this activity. They could organize the translation of materials. The Roskadry has good contacts with the Institute of Foreign Languages which is based in Nizhny.

Nickdai Ivanovich Genelushen, Director;
Ludmila Ivanovna Yassenena, Deputy Director;
Victor Korotkov Dmitrienich, Head of Personnel; and
Victor Nikolaivich Lunin, Director, Regional Finance Department
Finance Training Center, Ministry of Finance.
Thursday, September 30

This training center is centrally funded by the Ministry of Finance. The Nizhny Novgorod training center prepares funding estimates, but their request are not always met and it is often difficult to get the transfer of funds from the central level.

The Finance Training Center teaches refresher courses to individuals with a higher education. The curriculum is developed in Moscow, although staff have an opportunity to give comments/feedback. Participants can also give comments on the course for later incorporation - particularly local context factors (when they are from other republics). Training is in three basic aspects: budget; budget accounting; and audit. They also include 10 hours of computer training in each course. They do not teach cash management, inventory, or personnel management. They also train heads of tax agencies and enterprise employees in issues related to tax collection. There is a Finance Training Center in St. Petersburg which provides similar training.

Over the course of the year they train 8 groups of 25 individuals each. They have a 200 person/month capacity, or 1400 per year. They have 15 classrooms. The teaching staff includes individuals from city departments throughout the country who work on a contract basis.

Computers are their major weak point. They have only 6 286s. For training the 90 people in the city's finance department they would need compatible computer hardware (15 PCs) and software. They also need about 10 overhead projectors.

MOSCOW MAYOR DECREE

On administrative and other support of the joint project on City finance management between Moscow Mayor's Office and USAID.

In view of the decision taken by the US Agency for International Development (USAID) to fulfill the second stage of the "Municipal Finances" project that is being carried out in accordance with the program document "Technical Cooperation Between the Moscow City Government and the World Bank", and in order to secure that the project is coordinated with the City's specific features and the allocated funds are utilized to their utmost efficiency:

1. K.B. Norkin, General Director of the Department of the Mayor of Moscow, is appointed as coordinator to work with the developers of the project.
2. It is acknowledged that Ted Priftis has been appointed Head of the project from the American side and that RTI has won the right to carry out this project from the American side.
3. The Department of the Mayor is to carry out the organizational work in order to provide RTI experts with the necessary financial and economic information, organize meetings and fulfill other formalities connected with the selection process of Moscow specialists, representatives of the Mayor's Office and Moscow research agencies.
4. A Coordinating Council will be established in order to conduct organizational and methodological monitoring of the process. Its members will be:
 - K.E. Buravlyov - Head of the Council
 - K.B. Norkin - executive secretary
 - V.N. Astsaturov
 - A.I. Voronin
 - Yuri. V. Korostelyov
 - A.A. Nikitin
 - Yu. V. Roslyak
 - D.G. Chernik

In order to secure efficient utilization of funds provided by USAID in hard currency the Council will have the right to enlist specialists who will work on the project from the Moscow City side.

5. Administrative Department of the Mayor's Office is to provide office space for American specialists participating in the development of the project starting from October 4, 1993 for the whole duration of the project at the following address: Novyi Arbat, 36.

6. Financial and Management Department of the Mayor's Office is to provide transportation to the group for the whole duration of its work using cars that are at the disposal of the Department of the Mayor and adding one more shift their working hours.

7. Financial and Management Department of the Mayor's Office is to open one additional position on the staff for a secretary-translator to provide for working contacts between experts of the RTI working group and representatives of the Mayor's Office and the Government of Moscow.

8. Department of Finance is to allocate funds to Financial and Management Department of the Mayor's Office for remuneration of the additional staff member, rent of office space, and transportation specified by paragraphs 5, 6, and 7 according to actual expenditures during the whole period the joint project is going to be carried out.

9. Leading specialists are to be sent to the USA at the expense of the project budget in order to get acquainted with actually operating computer municipal finance systems and finalize terms of reference for development of the Moscow City finance management system.

Coordinated terms of reference for the project are to be presented to me for approval by December 1, 1993.

10. K.E. Buravlyov, First Deputy Prime Minister of the Moscow Government, is to supervise the execution of this Decree.

/Yu. M. Luzhkov/

**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AND
THE CITY OF NIZHNY NOVGOROD
FOR
TECHNICAL ASSISTANCE ON MUNICIPAL FINANCE AND MANAGEMENT**

1. Introduction

The Government of the United States of America, acting through the Agency for International Development (A.I.D.), and the Government of the City of Nizhny Novgorod, have concluded this Memorandum of Understanding to record their mutual understanding concerning technical cooperation on urban finance and management activities in Nizhny Novgorod.

2. Background

Russia is seeking to develop new approaches for improved municipal management under the new economic and governance systems it recently adopted. Early in 1993, building on initial assessment work of the World Bank and the leadership of several Russian municipalities, including Nizhny Novgorod, A.I.D. undertook to develop a technical cooperation project that would help cities of the New Independent States (NIS) gain access to effective approaches to accountable municipal finance and management. This project was to be based on approaches that had been tested and proven successful in the United States. With Russian cooperation, that program was developed by A.I.D. under its general program called Democratic Pluralism Initiatives. The project is called Municipal Finance and Management and it will collaborate with up to eight municipalities in Russia and other NIS countries, beginning with Moscow and Nizhny Novgorod. This Memorandum of Understanding is concerned with the implementation of that project in Nizhny Novgorod .

3. Purpose of the Memorandum of Understanding

a. The purpose of this Memorandum of Understanding is to define mutual objectives and to register the commitments of the two parties to this cooperation. The signatories to this Memorandum of Understanding endorse these common goals and agree to provide the technical cooperation, facilities, goods and services described herein as essential for effective implementation of the project in Nizhny Novgorod.

b. In order to provide the in-kind assistance described herein, A.I.D. may enter

into such contracts and other instruments with public and private parties as A.I.D. deems appropriate. All undertakings of A.I.D. under this Memorandum of Understanding are subject to the availability of funds and to further agreement between A.I.D. and such public and private parties, regarding the provision of in-kind assistance. This Memorandum of Understanding does not effect an obligation of funds by A.I.D.

4. Objectives of Cooperation

The three objectives of this project are as follows:

- (1) Introduce the City of Nizhny Novgorod to the best available techniques and systems for municipal budgeting, finance and management in the context of democratic local governance and a free market economic system.
- (2) Install on a demonstration basis the necessary computer based systems (software and hardware) to carry out this approach to municipal finance and management.
- (3) Establish and conduct training programs in Russia and in the United States to make the demonstration operational and replicable.

5. Areas of Cooperation

Municipal finance and management can have many different dimensions. The parties agree to work together to identify those dimensions that will have the greatest impact within the limits of the resources of the Municipal Finance and Management project and the cooperating departments in the Government of the City of Nizhny Novgorod. An illustrative list of possible technical applications on which the project might focus is attached. Collaboration between the cooperating parties may lead to identification of additional dimensions from which to select priorities.

6. Terms of Cooperation

a. Cooperation Provided by the Government of the United States

A.I.D. wishes to provide in-kind assistance as follows::

- (1) Three senior experts in municipal management to including a resident team leader, a finance expert and an organization, management and expert.
- (2) Short term experts in finance and management systems and in computer applications, installation and training, that the cooperating parties agree

are necessary to implement the project in Nizhny Novgorod.

- (3) Computers, software and related equipment needed to implement the agreed demonstration program in the priority areas selected by the cooperating parties.
- (4) Training programs in the United States, Nizhny Novgorod and elsewhere in Russia that the cooperating parties agree are necessary to implement the project and to carry out the priority activities to which the cooperating parties agree.
- (5) Three Russian professional staff personnel to work with the advisor in Nizhny Novgorod, one of whom would also serve as an office manager.
- (6) Other support associated with the project to complement support provided by the Government of the City of Novgorod as stated below. It is planned that A.I.D. support may include costs associated with travel outside of Nizhny Novgorod, computer and communications equipment and office supplies.

Through a competitive bidding process, A.I.D. has secured the services of a strong consortium of U.S. institutions and firms led by the Research Triangle Institute (RTI) to provide the above expertise, equipment, services and training.

b. Cooperation Provided by the Government of the City of Nizhny Novgorod

- (1) Appointment of a full time city administration professional as counterpart to the resident RTI team in Nizhny Novgorod.
- (2) Formation of an Advisory Committee composed of senior staff from the city's finance department and other relevant departments to provide guidance to the project and to assist it in rapid and effective implementation of decisions to which the cooperating parties have agreed.
- (3) Provision of office space within the cooperating Agency sufficient for the American and Russian staff and short term advisors to efficiently carry out their responsibilities to the project. This space should include lines for international telephone and FAX equipment.
- (4) Provision of one full time bilingual (English speaking) secretary.
- (5) Provision of official transportation to the project team in Nizhny

Novgorod.

c. General Terms of Cooperation

The RTI resident advisor and Russian Counterpart will provide periodic reports on progress to A.I.D. and the Government of the City of Nizhny Novgorod.

The cooperating parties agree to jointly develop a work plan for the project that will set priorities for the implementation of the project over its lifetime, such workplan subject to review and evaluation at least once each year of the project.

The cooperating parties agree to develop an evaluation and monitoring program for the project with agreed indicators of progress for internal project management and for the effective spread of the project successes to other cities of Russia.

The cooperating parties agree to introduce into the project's training programs subject matter that will assist other cities in Russia and the NIS to benefit from the Nizhny Novgorod Municipal Finance and Management project and to invite representatives from other cities to participate in agreed selected training activities.

7. Period of Cooperation

This Memorandum of Understanding will be in effect for an initial period of two years from the date of signature of the parties.

8. Relation to Framework Bilateral Agreement

In-kind assistance furnished by A.I.D. under this Memorandum of Understanding is United States assistance within the scope of the Agreement between the Government of the United States of America and the Government of the Russian Federation to Facilitate the Provision of Assistance, dated April 4, 1992, and is subject to the terms and conditions of that agreement, including provisions relating to exemptions from taxes and customs duties.

9. Title to and Use of Property

Unless otherwise directed by A.I.D., title to all property furnished by A.I.D. shall be in the Government of the City of Novgorod. Any property furnished by A.I.D. and titled to the Government of the City of Nizhny Novgorod shall be used effectively for the assistance purpose described herein and, upon completion of the assistance, shall be used so as to further the objectives of the assistance. If property furnished by A.I.D. and titled to the Government of the City of Nizhny Novgorod is used for purposes other than those agreed upon by the Parties, under circumstances which could reasonably have been prevented by appropriate action of the Government of the City of Nizhny Novgorod, the Government of the City of Nizhny Novgorod shall, upon A.I.D.'s request and election, return such property or refund the

amount disbursed for such property in U.S. dollars.

10. Records, Audit and Inspection

The Government of the City of Nizhny Novgorod shall maintain or cause to be maintained, as appropriate, records relating to the assistance adequate to show use and receipt of assistance furnished under this Memorandum of Understanding. Records shall be maintained for a period of three years after assistance has been furnished. The Government of the City of Nizhny Novgorod shall afford authorized representatives of A.I.D., or their designees, the opportunity at all reasonable times to inspect the site of the assistance and records relating to the assistance.

11. Termination

Either Party may terminate this Memorandum of Understanding in whole or in part, by giving the other Party ninety (90) days written notice. In the event of partial termination, such notice shall specify affected activities. Termination of this Memorandum of Understanding will terminate any responsibilities of Parties to provide financial or other resources for this activity, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Memorandum of Understanding. Obligations of the Government of the City of Nizhny Novgorod set forth in Section 9 above relating to the use of property furnished under this Memorandum of Understanding shall remain in force after termination. In addition, upon such termination, A.I.D. may, at A.I.D.'s expense, direct that title to goods furnished hereunder be transferred to A.I.D. if the goods are from a source outside the City of Nizhny Novgorod, are in a deliverable state and have not been offloaded in the City of Nizhny Novgorod.

12. Authorized Representatives

The Parties shall be represented by the persons holding or acting in the offices held by the signatories to this Memorandum of Understanding. Each Party may, by written notice, to the other, identify additional representatives authorized to represent that Party for all purposes other than executing formal amendments to this Memorandum of Understanding. Each Party shall notify the other, in writing, of changes in its authorized representatives.

13. Language

This Memorandum of Understanding is prepared in both English and Russian. In the event of ambiguity or conflict between the two versions, the English language version will control.

AGREED
City of Nizhny Novgorod

U.S. Agency for International Development

By _____
Dmitry Bednyakov
Mayor of Nizhny Novgorod

By _____
James Norris
Mission Director

Menu of Municipal Finance and Management Dimensions

1. **Strategic Planning/Management** (Key municipal decision makers)
 - 1.1 Financial position model (interactive model which tracks and projects key trends in the city's finances - to be used as "policy support system" for decision making at Mayor - municipal council level). Is designed to assist decisions about tradeoffs in financial decisions and to spot important trends in financial condition of city.
 - 1.2 Capital facility planning model
 - 1.3 Capital financing tools (debt capacity analysis, ...)
 - 1.4 Analytical tools for assessing privatization options for municipal services

2. **Consolidated Budgeting**
 - 2.1 Current Operating and Capital ("Development") Budgeting Systems
 - 2.2 Budgeting subsystems for key departments/service enterprises:
 - water & sewer
 - public housing
 - health services
 - transport services
 - 2.3 Budgeting (and accounting) systems for "off budget" funds
 - 2.4 Revenue and Expenditure Forecasting Models

3. **Cost Accounting**
 - 3.1 Current Operating and Capital ("Development") Expenditure Accounting systems
 - 3.2 Accounting subsystems for key departments/service enterprises (see 2.2 above)
 - 3.3 Accounting systems for "off budget" funds
 - 3.4 Asset valuation models

4. Revenue Enhancement

- 4.1 Tax Records systems (inc. cadastral systems)
- 4.2 Revenue Yield Analysis Tools
- 4.3 Billing and Collection systems
- 4.4 Tariff and rate setting tools for municipal services and enterprises (including leasing/selling of municipal property)

5. Asset & Resource Management Systems

- 5.1 Municipal Personnel Systems
- 5.2 Municipal property records (inventory) & management systems
- 5.3 Cash management systems

6. Service Performance Management Systems

- 6.1 Customized Indicator Systems For key departments & service enterprises
- 6.2 Productivity monitoring tools
- 6.3 Maintenance management systems for infrastructure services

Annex C

LIST OF CONTACTS

MOSCOW (country code 7, city code 095)

<u>Contact</u>	<u>Address</u>	<u>Phone</u>
Victor Astsaturov Director Moscow Land Committee	1 Mayakovsky sq. 125047 Moscow	250-98-67
Leonid V. Batalin Deputy Prefect Central Administrative District	24 Marxistskaya Str. 109147 Moscow	272-44-24
Konstantin Buravlyov First Deputy Premier Moscow City Government	21 Stankevitch Str 103032 Moscow	229-24-51
Yuri Korostelev Minister Finance Department	2/2/ Miusskaja sq. 125047 Moscow	251-35-26
Boris S. Lunjakov International Research Institute for Management Sciences	9 Prospekt 60 let Oktyabria 117312 Moscow	135-60-68
Dr. Keiner Norkin Director General Mayor's Office	36 Novy Arbat Room 1820 121205 Moscow	230-28-69
Dr. Boris S. Petrukhin Counsellor of Prefect Central Administration District	24 Marksistkaya Str 109147 Moscow	272-47-25
Alexander Nikitin Director Moscow Property Committee	2/1 Karetniy Rjad 103006 Moscow	299-20-48
Yuri Roslyak Director	13 Tverskaya Str.	299-94-33

Dept. of Prospective Development	103032 Moscow	
Albert A. Ryvkin President/Chairman of the Board Moscow Development Institute	3 Ul. Nemirovicha Danchenko Moscow 103808	292-85-75
Alexander Sarkisov Project Specialist American Embassy	Bolshoi Deviatinsky Moscow 121099	956-42-81
Jo Ann Goyne Housing & Urban Management Advisor American Embassy	Bolshoi Deviatinsky Moscow 121099	956-42-81

NIZHNY NOVGOROD (country code 7, city code 8312)

<u>Contact</u>	<u>Address</u>	<u>Phone</u>
Belyakoff Anatoly Computer Specialist Finance Department		39-09-37
Vyacheslav B. Aksinyin Chairman of Plan Budget Commission	Kremlin Council Hall 603082 Nizhny Novgorod	39-13-02
Dmitry Bednyakov Mayor Nizhny Novgorod	Kremlin Council Hall 603082 Nizhny Novgorod	39-15-06
Nickdai Ivanovich Genelushen Director	Finance Training Center Ministry of Finance	
Alexander Gorin Translator Syndrug Project	192 Rodionov st. 603600 Nizhny Novgorod	38-88-84 32-57-69
Vladimir A. Maltsev Director Roskadry Personnel Regional Center	46 Gagarin Ave 603600 Nizhny Novgorod	65-72-11
David Musante Advisor to the Mayor Peace Corps	Kremlin Council Hall, Rm. 316 603082 Nizhny Novgorod	39-10-52
Valery Silkin Deputy Director for Budget Control Finance Department		
Ludmila Ivanovna Yassenena Deputy Director	Finance Training Center Ministry of Finance	