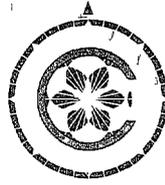


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CHEMONICS INTERNATIONAL INC

MARKET-ORIENTED FARM SUPPORT ACTIVITY

HOUSING AND UTILITIES REORGANIZATION  
IN THE GRYAZOVETS RAION  
VOLOGDA OBLAST, RUSSIA

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Submitted by  
Chemonics International Inc  
1133 20th Street N W Suite 600  
Washington, D C 20036  
Tel (202) 955-3300, Fax (202) 955-3400

Prepared by  
National Academy of Public Administration  
1120 G Street N W Suite 850  
Washington D C 20005-3801  
Tel (202) 347-3190, Fax (202) 393-0993

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This report was completed by short-term Municipal Management Advisor, Mr Richard E Hage, for the MOFSA Project in Vologda as fulfillment of his deliverables for his assignment Mr Hage was contracted by the National Academy of Public Administration, one of MOFSA's subcontractors Mr Hage's assignment was conducted during the period April 3 - May 8, 1997

## HOUSING AND UTILITIES REORGANIZATION IN THE GRYAZOVETS RAION EVALUATION AND REPORT ON IMPLEMENTATION

### INTRODUCTION

The Market-Oriented Farm Support Activity (MOFSA) in Vologda, Russia, is working in the rural areas of the Cherepovets and Gryazovets Raions (Counties) with support from the U S Agency for International Development. There are two components of the project, agribusiness development and rural social services improvement, the latter including improvement of rural housing and utilities services. Work began in April 1996, and is expected to be completed in early 1998.

Originally, the plan for assistance in the Gryazovets Raion (whose total population is about 47,000) was to improve the management skills of the Raion housing and utilities managers. During field work in 1996 by the Castillo Company and the MOFSA staff, including the Russian social planner counterpart, they concluded that the better approach would be to reorganize the way of providing housing and utilities services. The Raion Head of Administration concurred and the "Rationalized Model for Housing and Utility Services," prepared by staff and consultants, was presented to the Raion in December 1996. The original schedule for implementation called for preparation and adoption of legislation and regulations by February 1, 1997, to be followed by transfers of authority over assets in October 1997. The Deputy Head of Administration for Housing and Utilities, whose retirement will take effect in May 1997, has not, however, been supportive of the plan and as of the time of this project, April 3-May 8, 1997, none of the scheduled actions had taken place. On April 14, 1997, the appointed mayor of the City of Gryazovets was promoted to the position of First Deputy Head of the Raion and will have responsibility for housing and utilities. His commitment to the new plan is strong.

The task of the Municipal Management Advisor, under a subcontract between the National Academy of Public Administration and Chemonics, included reviewing and evaluating the Model, assisting in implementation, preparing and conducting a workshop for officials of the Raion, and reporting on the results achieved. The task was carried out between April 3 and May 8, 1997. Three field visits were made to Gryazovets located about 25 miles from Vologda on the Moscow Road (Moscow is about 250 miles further south). The purpose of the visits was to review present support for the Model, identify needed assistance in implementation and to make plans for a training program. I was accompanied on these visits by either Ron Schreiner, MOFSA Social Planner or his Russian counterpart, Konstantin Efremov, or both. The two-day

training program was held in Gryazovets May 6 and 7 With senior MOFSA staff, I also met with the Deputy Governor of the Vologda Ooblast, Anatoly Tak, and heads of the Oblast departments of economic development and property administration Privatizing of housing and lowering government spending on both housing and utilities were stressed as major goals of the Oblast MOFSA staff presented the Gryazovets Model as one that could be applied throughout the Oblast

## **STATEMENT OF THE PROBLEM**

### Conditions in Russia

According to a recent Russian Federation white paper, lack of adequate housing and water supplies are acute problems in Russia The average floor space per person is 18.1 square meters (about 200 square feet) and is far less than that in more than half of the country In rural areas 70-80 percent of the housing stock has no running water, sewage systems or central heating Where there are central water systems, the water usage is not metered and is used in prodigious quantities about twice as much water is used per capita as in other developed countries The water supply is highly polluted Fifteen percent of all families in 1995 were on waiting lists for housing yet only eight percent of that number were accommodated

Other social and economic indicators are not encouraging The population has been decreasing, even though about 60 percent of the losses from natural decline have been made up by immigration of ethnic Russians from the former Soviet Republics Real incomes have been dropping steadily, including a 13 percent drop in 1995 Sales of foodstuffs are down over fifty percent from the levels of 1990, although food outlays have begun to increase Nearly 25 percent of the population had incomes below the subsistence level Labor resources continue to decline and 36 percent of those who are employed receive wages below subsistence levels Ironically perhaps, remuneration from business and other activity now exceeds that from labor

### Housing and Utilities Organization in Russia and Gryazovets

Approximately 40 percent of the housing in Russia under the old system was owned by state enterprises Under pressure from the Russian Federation, which is being prodded by outside lenders such as the World Bank, housing as well as utility assets have in large part been turned over to local governments by the enterprises In the case of Gryazovets Raion, housing and utilities owned by the large collective farms have now been transferred to the Raion government The housing apartments are generally in poor repair and common grounds are not maintained User fees charged by the collective farms for housing and utilities were nominal in the past, the costs being considered for the most part as labor costs, this has made it difficult for the Raion authorities to raise charges to fully cover costs Utilities include heat and hot water from central plants---piped above ground---as well as the more commonly provided water, sewer, and

electricity Except for electricity, there are no meters for the utilities, and, because of the way the housing is built, it is impractical to install them, the single user fees for both utilities and housing is based on the amount of space being occupied Housing residents in Gryazovets pay, on average, about one third of the costs of providing housing and utilities services Making up for the shortfall accounts for 20 to 30 percent of the Raion budget and as local government is subsidized by the Ooblast and the Russian Federation

In the Gryazovets Raion, 16 rural administrations that are units of the Raion government serve villages ranging in size from 444 to 2,175 Each has created a housing and utility authority to manage assets transferred from the collective farms

Privatization of housing continues to be a goal in both Russia and Gryazovets In the Russian system this has meant that the municipality sells the unit only, but not an interest in the shell or the common areas Thus a typical building has both owners and tenants Generally about 30 percent of all units have been privatized since 1992, but the process now has stagnated As tenants have many rights, including that of passing the unit on to their children, and as there is virtually no chance of being evicted, Russians presently do not see a benefit in becoming owners, particularly as it means becoming responsible for both maintenance and taxes In any event, the accepted goal for privatization in Russia is 70 percent of the units, the balance would continue to be publicly owned in order to meet other social goals such as housing for veterans and other groups The federal constitution limits housing and utilities charges to 15 residents' income, at present this figure is more a goal than a constraint

## **GOALS AND OBJECTIVES**

The goal of the proposed reorganization is to reduce the cost to the government of providing housing and utilities services It would do this through 1) abolishing the sixteen rural housing and utilities authorities and transferring their functions to a central agency, 2) creating a cost-competitive environment by de-monopolizing (privatizing) publicly provided utilities and housing maintenance services, and 3) fostering householder associations to manage maintenance and, indirectly, to encourage further privatization

### Reorganization

The Model proposes transferring control from the decentralized local housing and utility authorities, which would cease to exist, to a quasi-governmental "municipal enterprise" to be created by the Raion It is to be called the Service Center---in the Model it was originally called the Central Purchasing Office---and is patterned after a service center established for the City of Gryazovets (population 16,000) in 1994 As the latter is also a Raion-founded unit, it will, in effect, be expanding its charter to cover the entire jurisdiction. The change would not affect ownership of the housing and utilities, which now, and in the future, rests with the Raion

government The Raion will provide oversight through the office of the housing and utilities directorate, finance and other departments, and a property committee The Raion will continue to provide funding as necessary to make up shortfalls in revenue and for capital improvements The Service Center is to add Inspection and Clearing Centers (I/CCs) responsible for the inspection of property, liaison with the residents and collection of user fees

The purposes of the centralization of housing and utility services are to allow the Raion, through the Service Center, to improve the quality of personnel, gain control over cash flow, set more uniform tariffs and fees, and allow for Raion-wide planning and improved annual and capital budgeting The Service Center concept will also make possible a large enough number of units to encourage bidding for maintenance contracts It will be better able to make bulk purchases than the smaller authorities it is replacing

### De-monopolization (Privatization) of Public Services

The existing city Service Center contracts for maintenance services from three other municipal enterprises Vodocanal for sewage and water, Elektrotsept for electricity and heat and the Enterprise for Housing and Repair for housing maintenance These organizations would continue but, in order to survive, would have to bid for the work in competition with private firms and even each other The equipment assets of the rural housing and utility authorities would be transferred to these organizations as appropriate There is no provision for transfer of employees of the local authorities, most of whom are also local residents and not necessarily technically competent

### Householder Associations

Householder Associations, although none exist at present, are to be given a critical role in the maintenance of properties under the Model Specifically, they are to be responsible for the “ (U)keep, maintenance and repair of their units and the common areas They may contract directly with municipal enterprises or other contractors to provide housing maintenance and utility services ” The thinking behind this recommendation is that this responsibility would encourage such associations and lead to privatization of more units (and thereby transfer more of the costs of maintenance from the Raion to the occupants)

### **EVALUATION OF THE MODEL**

While not well written and difficult to understand on a first or even second reading (presumably this is true of the Russian version as well), the Model is a good blueprint for change in the way housing and utilities services are provided in Gryazovets and throughout rural Russia It is bold, but boldness is needed if reform is to proceed Its major flaw is that it does not address the difficulties of reorganization or of de-monopolization and gets ahead of itself by recommending

that householder associations have a role in housing maintenance---there are no associations and they have proved difficult to create More specifically

### Evaluation of the Reorganization

On the whole, the use of a centralized Service Center in place of local housing and utilities authorities makes sense in the current transitional stage between ownership by the collective farms and eventual privatization of the housing The Service Center will be able to set more uniform fees and be more inclined to enforce collection It can establish business-like enterprise funds for housing and utilities that will help put these activities on a self supporting basis The Service Center is better situated to create a climate of competition for management contracts throughout the Raion than the small authorities Finally, it will have incentive to privatize the units in order to cut budget costs It will be important that the Raion Administration establish goals for the Service Center, particularly for cost recovery and for privatization The Raion should not itself establish the tariffs and user fees

The Model makes a clear distinction between the roles of the Raion Administration and the Service Center From the viewpoint of municipal management, the Raion is to provide the legislative policies and budget support and the Service Center is to implement those policies From the viewpoint of classic housing management organization, the Raion is the owner and the Service Center is the property manager, responsible for collecting rents and fees, tenant relations and the management of maintenance In keeping with recommended practice for housing in Russia and Eastern Europe, the Model separates housing management functions from those of housing maintenance Some reviewers of the Model have suggested that housing and utilities management functions are different and that it would be better to separate the two However, at this time of transition the linkage seems practical as housing and utilities were built as virtually a single system and there is a single user fee for both rent and utilities There should be a plan to adapt the organizational structure as necessary if most of the housing is privatized

The Inspection/Clearing Centers to be created will function as on-site property management offices---and it might be better to call them that The conceptualization of non-existent housing associations as being responsible for maintenance contracting detracts from the usefulness of the Model As organizing associations is a long and difficult process it would be better to establish a system of inspections and work orders under the Service Center In such a system, the staff of the I/Ccs would make inspections and provide written work orders that would be given to the Service Center for prioritization and assignment to the appropriate contractor The I/CC inspector would be responsible for assuring that the contractor performed the task and in a satisfactory manner (The work orders would also provide basic data concerning the need for capital repairs and other information on the quality of the housing and utilities )

## Comments on the Plan for De-Monopolization

De-monopolization or privatization of public services for maintenance of housing and utilities is critical for the success of the Model. It is expected that competitive bidding and the incentives for lowering costs that are part of that process will result in substantial savings. This has generally proved to be the case in the United States and elsewhere. The chief criticism of the Model is that it appears to be overly ambitious in the short term. The Service Center should consider the experience of the World Bank Housing Divestiture Project, supported by the Housing Sector Reform Project of the Urban Institute. Working in eight urban areas of Russia for over a year, its target was that ten percent of the housing stock would be under competitive maintenance by the end of 1996. Given that in rural Gryazovets, there are very few private contractors and the difficulties that can be attendant on privatizing public services, a timetable allowing for careful planning and adequate staff work should be developed.

### Householder Associations

The use of the condominium-style form of ownership makes eminent sense for Russia as it would provide a means of making a transition to full private ownership from the present mixture of private owners and tenants within a building that is owned by the government.

The Model is unrealistic in making householder associations responsible for managing maintenance as a means of encouraging privatization. The proper sequence would be to develop householder associations in conjunction with condominium-style privatization, that is, of both units and buildings. After condominiums are created and a board of directors is in control, maintenance functions can---and should---be transferred to the board from the Service Center. It is recommended that the Service Center designate a staff member responsible for a program of privatization. Such a program might be supported through incentives such as giving priority to capital improvement subsidies for units that are to be privatized. It should include a staged process of involving householders in decision making through committees for certain functions. While generally householder associations have proven difficult to create, the Russian experience with condominium associations, albeit limited, is somewhat more promising. The Urban Institute/Urban Economic Institute in Moscow would be a good training resource for developing condominium associations.

### **ASSISTANCE IN IMPLEMENTATION**

As noted previously, at the time of this assignment the Raion had taken no action in adopting a series of implementing laws and regulations, originally scheduled for February 1997. During our field visits, the Raion officials requested assistance in preparing the resolution of the Head of Raion Administration, the basic document for implementation of the reorganization. I assisted

with a draft Konstantin Efremov took final responsibility for responding to this request, and a proposed resolution was given to the Raion Administration

Given the lack of movement on implementation, it was proposed in the early stages of this assignment that part of the training program would focus on the reorganization itself and what it would mean in practice (the other part of the workshop would be for training of officials in new tasks such as planning for contracting and bidding) In effect, the training was to serve as the beginning of implementation through initiating a structured dialogue with the affected officials This approach was discussed with the Raion officials and was accepted

## **TRAINING PROGRAM**

### Training Goals

The goals of the training program were, first, to help the participants understand the reorganization, why it was necessary, and to learn new roles The second goal was to introduce them to new procedures and techniques of administration under the reorganization

### Participants and Schedule

The participants were to be officials of the Raion Administration, including the First Deputy Head, the directors and principal staff of the affected municipal enterprises of the City of Gryazovets, and the local rural administrators It was planned for 25 persons

To first day opened with a presentation of the Model by the Russian counterpart for social services planning, Konstantin Efremov Following this, the participants were divided into three groups at random, except the local administrators were divided evenly among the groups and officials from the same administrative unit were assigned to different groups The groups had three tasks to clarify the purposes and goals of the reorganization, the define obstacles and problems, and to outline solutions These were to be put on flip charts (newsprint) and brought back to a general session for discussion

The afternoon session was designed to clarify the respective roles of the Raion Administration as well as to understand the usefulness of a goals statement, setting standards of measuring performance, and the elements of a housing management plan

The second day, the focus was on the issues of moving to a competitive system of contracting for services and the creation of a recommended system of property inspections and work orders For the first two sessions, concerning planning for the shift from public to competitive services and on the system of inspections and work orders For these I made oral presentations and followed

by asking the participants to prepare written exercises that included preparing sample bid documents and sample work orders based on a hypothetical situations

A third day was originally planned for a presentation on householder associations but because of time constraints related to the impending May 9 Victory Day holiday, it was compressed into an afternoon presentation on the second day Konstantin Efremov was the presenter

The training material is found in the Appendix

### Results of the Training

The discussions in two of the three small groups, while sometimes heated and expressing pessimism about the probability of success of the model because of underlying economic conditions, nevertheless stayed on track, moving from problems to possible solutions The third group, however, could only find problems, and no solutions were offered In the general session following, the presence and active participation of the Russian counterpart social planner was critical in keeping the discussion moving and the opposition voices in check. In the afternoon, the general session training took up the role of the Raion---one of which is to set goals---in relation to the Service Center and the rural administrations The allusion to goals again led to disruptive comments and, during the afternoon break, the staff decided to break the participants again into three small groups and to add discussion of the roles of the Service Center and the Inspection/Clearing Centers This worked well and the general session following was productive

While not always comfortable, the small group sessions' basic purpose---to gain an understanding of what the reorganization would mean to the affected officials and to the people they serve---became clear to the participants This was the first time most of them had, as the Social Planner put it, "come up close" to the Model Most had not read it before the meeting

As the flip chart records of the discussions show, constructive suggestions emerged, an indication that the issues were understood and the reorganization was being taken seriously For example, it was agreed that there was a need to sign contracts with the occupants, that housing associations would be important as a means of fostering "ownership," that tenants could do work on the houses if they could not pay, meter installation is important, etc Difficult underlying problems came out as well the Raion employees have not been paid since last October, the municipal enterprises providing housing and maintenance services have not been reimbursed by the City of Gryazovets Service Center and they in turn had not been able to pay their debts One participant stated that a municipal enterprise owed a billion rubles (about \$180,000) to another They pointed out that this record of non-payment will make it more difficult to get private companies to engage in competitive bidding It came out that they had some experience with competitive bidding with small contractors

Distances in rural areas was brought up several times as a problem for centralized management of housing and utilities maintenance and the need for a dispatcher service for emergencies was brought up. The dialogue led to some questions about the type of inspections to be made and how they relate to government "technical inspections."

The second day, I proceeded with a presentation of issues that can arise when a government contracts out for services that had traditionally been done by its own crews, followed by an exercise in preparing a hypothetical scope of work for a contract. These last were done diligently and generated useful discussion. The explanation of the system of inspections and work orders and the accompanying exercise also generated an insightful dialogue on the issues.

In the closing session, Konstantin Efremov gave a well thought out and spirited talk about the federal law on condominiums and housing owner associations. He mentioned the experience of other—mostly urban—areas of Russia. He effectively and honestly established a vision for the future of complete privatization. He also stressed the importance of the housing and utilities issue to the Russian Federation, citing the decree of President Boris Yeltsin issued on April 29, 1997, that calls for the drafting of a national housing plan by October 1, 1997, and setting a goal for making housing and utilities financially self-sufficient by the year 2000.

In conclusion, the training program, as planned, and with on-the-spot alterations, was an effective intervention. It should lead not only to a start on implementation, but to a reorganization that is better understood and accepted by those affected. As the Model comes to be considered by other raions in the Vologda Oblast and throughout Russia, the training technique of combining the small group process with technical sessions should prove useful as a means of introducing and gaining acceptance of the changes contemplated in the Model.

## PRINCIPAL REFERENCES

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APPENDIX

SCHEDULE

TRAINING PROGRAM  
HOUSING AND UTILITIES REORGANIZATION  
GRYAZOVETS RAION

MAY 6, 1997  
WORKSHOP ONE

Session 1

UNDERSTANDING THE REORGANIZATION

9 00 Why the Reorganization?

Introduction M A Lupandin, First Deputy Administrator for Housing and Utilities

Presentation on the Rationalized Model by Konstantin Efremov, Chemonics International  
Instructions on Training by Richard Hage, Chemonics International

9 45 BREAK

10 00 Small groups, assigned at random, meet to clarify the purpose of the reorganization, determine obstacles, and outline solutions

11 30 General Session Reports from small groups

12 30 LUNCH

Session 2

THE RESPECTIVE ROLES OF THE RAION AND THE SERVICE CENTER

13 30 Goals, Measurement and a Management Plan  
Richard Hage, Trainer

The Role of the Raion Administration Setting Goals  
Exercise Developing a Goal Statement for Housing and Utilities

14 30 BREAK

14 45 Standards for Measuring Performance in Achieving Goals  
Exercise Create standards

15 45 Elements of a Management Plan (to be carried out by the Service Center)  
Exercise Using a goal and related standards what are the elements of a plan?

17 00 CLOSE

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May 7, 1997  
WORKSHOP TWO

Session 1

MAKING THE REORGANIZATION WORK THE ROLES OF THE SERVICE CENTER, THE MUNICIPAL ENTERPRISES AND OTHER CONTRACTORS

- 9 00 Review of the Roles of the Service Center and the Municipal Enterprise and Contractors  
Konstantin Efremov, Chemonics International
- 9 15 What are the issues in moving from municipally provided services to a system of contracts?  
Presentation Richard Hage, Trainer
- 10 45 BREAK
- 11 00 General Meeting Discussion of the Issues in contracting,
- 12 00 LUNCH

Session 2

SYSTEM OF INSPECTIONS AND WORK ORDERS

- 13 00 Presentation Richard Hage, Trainer  
Exercise using sample work orders
- 14 30 BREAK
- 14 45 Discussion of exercise

Session 3

ASSOCIATIONS OF HOUSING OWNERS

- 16 15 Presentation Konstantin Efremov
- 17 00 CLOSING

## WORKSHOP ONE

### Session 1

#### UNDERSTANDING THE REORGANIZATION

Materials The "Rationalized Model of Gryazovets Housing and Utility Management"  
Presentation of Model Konstantine Efremov, Social Planning Expert, Chemonics International

Instructions on Training Issues Richard Hage, Public Management Specialist, Chemonics International

As you have just heard from Konstantin Efremov, the Model proposes very significant changes in the organization for the delivery of services for housing and utilities. It is a model that is being looked at carefully by other raions in the Vologda Oblast, by the Oblast itself and, if successful will be model for the entire Russian Federation. It is very bold. But boldness is needed and you are to be congratulated for taking this step. The training sessions today and tomorrow are meant to help you think through what the reorganization will mean to you and to your present organization and what plans need to be made. It will also offer you technical information on aspects such as planning for contracting and for using inspections to improve the quality of maintenance and repair. These two days, then, are the beginning of action to implement the new Model as well as technical training.

In the two days, there are five basic sessions, as outlined in your program. This morning we will go through an exercise designed to help you understand the purposes behind the plan. It will be a chance as well to look at what might be some very real obstacles or problems. Finally, it will ask you to come up with solutions to these problems. We will break into small groups so that everyone will have a chance to speak his or her mind. No one knows the issues as well as you. This is a way of bringing your knowledge into discussion and for recording.

This afternoon we will focus more specifically on the role of the Raion Administration in relation to the Service Center and to the Rural Administrations. Tomorrow morning we will look at the roles of the Service Center and the municipal enterprises and other contractors. The purpose will be for both sides to begin making plans for their new relationships. In the afternoon tomorrow, we will explain a new system of inspections and work orders that will be necessary under the new centralized program. Finally, we will look at Housing Owner Associations and their importance in making the plan work in the long range.

This training program will not cover every aspect of the change and I may from time to time have to rule on what is possible and what is not. It should be an interesting and enjoyable two days.

At this time sheets of paper are given to each with a code at the top. Group 1, 2 or 3 are told which room to go to. The rule used is that rural administrators will be divided into equal numbers and there will be no two people from the same organization. The sheets are as attached.

For each group there will be Chemonics staff timekeepers. From among the group a reporter will be chosen to put their points on flip charts.

We will gather back here and each group's reporter will have seven minutes to summarize the problems and solutions.

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EXERCISE

WORKSHOP ONE

Session 1

What are the purposes of the reorganization?-----20 Minutes

What are the obstacles and problems?-----30 Minutes

What are the solutions to these obstacles?-----35 Minutes

15

## WORKSHOP ONE

### Session 2

#### ROLES OF THE RAION ADMINISTRATION, THE SERVICE CENTER AND THE RURAL ADMINISTRATIONS IN RELATION TO EACH OTHER

The Model for Housing and Utility Services provides

- 1 The Raion Administration will retain an ownership interest in the physical housing and utility assets and the Raion Administration will continue to provide some subsidies out of its annual budget
- 2 The Raion Service Center, a municipal enterprise, is financially accountable to the Raion Administration and is responsible for making recommendations on the need for capital improvements and for financing necessary from the Raion budget. It is also responsible for implementing policies of the Raion related to housing and utilities. It is the manager of all housing and utilities.
- 3 The Rural Administrations are also accountable to the Raion Administration. The Raion Service Center is to provide them with copies of annual and long range plans for their review. The comments of the Rural Administrations are to be forwarded to the Raion Administration.

The next training exercise is concerned with setting goals, creating standards for measurement of how well the goals are being achieved and setting forth the elements of a management plan. An important concept is that it is the Raion Administration which adopts the goals, set standards for measurement and the Service Center which carries them out. Of course, the Service Center and its staff provide input with suggested goals and necessary data.

For example, if the Raion should establish a goal concerning the privatization of housing units, there are a number of financial and management considerations that flow from this, this goal would have implications for long-range capital budgeting that might be focused on spending to help that goal (if it were a priority, then capital spending might go for units to be privatized, and not for units the Raion is keeping).

The Model provides that the rural administrations will contribute to the long-range planning process and it is important that they understand that this means commenting on goals such as privatization. The Model provides a formal process for this but unless it is accepted and used, the concept of planning---setting goals---from the lowest levels will be lost in practice.

In order to better understand goals, standards of measurement, and elements of a management plan, the following exercise will be used.

Two worksheets are passed out to each, one with suggested goals, a column for prioritization, standards and elements of a management plan and one blank.

The suggested goals on the form are 1 "Maximize cash flow" and 2 "Maximize sales," they are not prioritized. Standards for measurement are related to the goals 1 and 2, specifically, rubles per month, quarter, year, for the first and "Increase percent of all units sold to \_\_\_% by \_\_\_(yr)." Elements of a plan for the first are "stress collection of user fees," "purchase in bulk," etc. For the second, "Perform only capital improvements that promote sales," etc.

Detailed Discussion of the Role of the Service Center

Following the close of the Roles/Goals exercise, and in preparation for tomorrow there will be a presentation with discussion, of the functions of the Service Center based on the Model as follows

- Provide for the maintenance of housing and utilities under its jurisdiction through contracts with municipal enterprises and others
- Act as the contracting authority for capital improvements
- Report to the Raion administration the status of the need and progress of capital improvement projects
- Register tenants
- Administer subsidies to residents to cover housing and utilities fees, as necessary
- Prepare and publish rules and regulations
- Through its Inspection and Clearing Centers, collect user fees, field complaints and perform technical inspections
- New (not in Model) Prioritize work to be done and issue contracts for the work
- New (not in Model) Develop householder associations
- Perform analyses of cost-effectiveness of the delivery of services

## WORKSHOP TWO

### Session 1

#### MAKING THE REORGANIZATION WORK THE RESPECTIVE ROLES OF THE SERVICE CENTER AND THE MUNICIPAL ENTERPRISES AND OTHER CONTRACTORS

Konstantin Efremov---Review of the Roles of the Service Center and the Municipal Enterprises and Contractor as Found in the Rationalized Model

Richard Hage---Comments

The Rationalized Model is not one model but several. It is like a matryoshka doll that, as you open one, there is another. Yesterday we looked at the model for centralization of housing and utilities. This morning, we open and find another model, that for de-monopolization, where several municipal enterprises providing public services now will do so under contracts that are awarded on the basis of competition that will include private companies. After we have looked at that model, we will open to a third model, that for a system that links inspecting, prioritizing and getting the work done. And finally, this afternoon we will find still a fourth model, that for associations of housing owners. Each of the models are entirely new for the Raion.

#### CONTRACTING ISSUES Getting Ready

##### Overview of Issues

A contracting program is divided into three general phases

Planning

Bidding

Administration

At this stage, the critical aspect is planning the contracting process. It will take time, perhaps many months, to issue even one contract.

You will again be asked to think something through: "What does the Raion hope to accomplish by contracting out and by making its municipal enterprises competitive?" The Raion Administration, will need to be able to answer this question in working with elected officials, its managers, citizens, and employees whose jobs will be affected.

For the Service Center, there are multiple functions in getting ready:

First, developing a pool of contractors capable of bidding on the work.

Second, planning the bid and contract documents.

Third, planning for monitoring the contracts.

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## 1 Developing a pool of contractors capable of bidding on the work

The underlying purpose of contracting out is that there be competition. Without adequate competition there will be no point in proceeding.

We know that the existing municipal enterprises will form the core contracting base, certainly in the short term. What additional municipal enterprises might be created to increase competition? How will they be managed and who will be their employees? What of private contractors? Are they available within the Raion? Outside of the Raion?

The Service Center should consider a program for contracting that recognizes that the pool of contractors is small and that special ways of developing contractors will be needed. For example

### o Phasing in

Phasing in is breaking the service into component parts and contracting them out every six months. The parts could be geographical. Or it could be separated into painting, electrical, into steps and walks, etc. This kind of contract administration can be difficult, but the advantages might outweigh the disadvantages. For one thing, two contractors performing the same service could provide backup for each other in the event of default. Also, smaller contracts may encourage broader competition. Finally, phasing in allows for re-training and re-employment for public employees affected by the new system.

### o Working with emerging contractors

Emerging contractors, including the municipal enterprises, may need such assistance as quick payment in order to meet their payroll and material costs, they may need help in developing a business plan and obtaining bank financing, help in leasing or purchasing equipment. The Service Center might hold regular meetings for present employees and others concerning the work to be done, available assistance in business management, and provide an understanding of the bidding process.

## 2 Planning for Contracting and Bidding

### a What type of bidding? There are basically two kinds

#### o Competitive sealed bidding

This method was originally designed for purchase of goods and usually requires an award to the lowest responsible bidder. It is the most acceptable form and can be used for purchasing of maintenance services provided the service can be described completely and accurately and the qualifications of the contractors can be easily quantified.

#### o Competitive negotiation

Under this system, the award is made to the contractor who best meets the needs of the Service Center at a reasonable price, but not necessarily at the lowest price. This method may be indicated if

-The scope of work cannot be accurately and completely defined,

-The responses may be expected to contain a different level of service than that requested requiring negotiation to reduce or increase the price to match available funds

b What type of contract?

- o Fixed price This form would be appropriate for unit prices for repair or for regular maintenance
- o Time and materials This form is used principally with electrical, carpentry, painting and other trade contractors whose services are provided on an as-needed basis The price of labor is determined in the original contract and the price of materials is as submitted The contractor should not be allowed a markup on materials if possible

### 3 Planning for Contract Administration and Monitoring

Again, the important thing is to plan ahead and be aware of certain issues

- o Using contractors is quite different from using crews of public employees If the government crew did not perform, other resources could be brought in or they could do it over Under a contract, this might be a breach of contract, and the procedures that take into account legal questions will need to be in place
- o Monitoring Performance

An important feature of contract monitoring is accountability Performance must be documented For start-up contracts, it might be well to do direct monitoring while the work is in progress Or the inspection method, which is most common and would look at such items as

Does the work meet contract requirements?

Are the residents satisfied?

Are all the hallways clean?

Discussion of the issues of contracting and bidding in Gryazovets

How do the directors of the existing Municipal Enterprises see the issues?

## WORKSHOP TWO

### Session 2

#### SYSTEM OF INSPECTIONS AND WORK ORDERS

Richard Hage, Trainer

In the local areas there will be an Inspection Center which organizationally are part of the Service Center. The purpose of this exercise is to think through the linkages between the inspectors, the Service Center, the contractors and the residents.

The critical points are

- Every unit should be inspected once a year. This will give a benchmark for keeping track of the quality of the units.
- All maintenance and required repair work is recorded by the inspectors on "work orders." These work orders are given to the Service Center which will prioritize them and give them to the appropriate contractor. When the work is done, or during the time it is being done, the inspector visits the site and it this way is able to report to the service center on its status and quality.

#### EXERCISE

The same Groups of eight to nine that met before go to the same rooms. Each person in the group will complete a model work order. The information may be based on the condition of a unit he or she has visited, lives in or imagines.

The persons give their work orders to a selected group member who will write out on a flip chart the kind of work to be done. The group will then prioritize the work, ranking them from first to last.

Following a break there will be discussions of the results of the exercise.

Model work order forms used provide space for

- Who requested the work
- Address of property
- Name of resident
- Description of work requested
- Who the work is assigned to
- Work accomplished
- Space for hours and materials used
- Resident signature

WORKSHOP TWO

Session 3

ASSOCIATIONS OF HOUSING OWNERS

Presentation by Konstantin Efremov

Richard Hage

Suggested process in transition from Raion control to Housing Owner Associations

- The Service Center creates a housing owner association with a board of directors. At the beginning the board is controlled by the Service Center acting on behalf of the Raion.
- Transition from Raion property committee control occurs when control of the association shifts from the Service Center to the housing owners. Transition evolves from the time most units are sold to the housing unit owners.
- The Service Center strives for early and continuing unit owner involvement and education in the operation of the association.
- An interim set of committees---made up primarily by unit owners---facilitates transition work and assures training for future leaders and ongoing committees.
- Transfer of control of the property can occur in several ways

- Addition of one or more housing unit owners to the board of directors at specified levels of sales
- Weighted voting approach, in which the membership voting ratio is arranged so that the Raion will give over control to the association after a specific percentage of the units have been sold
- Use of an interim committee or advisory board to make most association-related decisions
- Transfer of substantial control of the building as a whole to the housing unit owners. The Raion may retain veto rights for certain actions of the board
- A combination of these methods

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