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**NATIONAL DEMOCRATIC INSTITUTE
FOR INTERNATIONAL AFFAIRS**

**STRENGTHENING LOCAL DEMOCRACY
IN THE
FORMER SOVIET UNION: 1990-1992**

April 1992



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THE NATIONAL DEMOCRATIC INSTITUTE FOR INTERNATIONAL AFFAIRS

The National Democratic Institute for International Affairs (NDI) was established in 1983. By working with political parties and other institutions, NDI seeks to promote, maintain, and strengthen democratic institutions in new and emerging democracies. The Institute is chaired by former Vice President Walter F. Mondale and is headquartered in Washington, DC.

NDI has conducted democratic development programs in more than 35 countries. Programs focus on six major areas:

Political Party Training: NDI conducts multipartisan training seminars in political development with a broad spectrum of democratic parties. NDI draws expert trainers from around the world to forums where members of fledgling parties learn first-hand the techniques of organization, communication and constituent contact.

Election Processes: NDI provides technical assistance for political parties and nonpartisan associations to conduct voter and civic education campaigns and to organize election monitoring programs. The Institute has also organized more than 20 international observer delegations.

Legislative Training: In Eastern Europe, Latin America and Africa, NDI has organized legislative seminars focusing on legislative procedures, staffing, research information, constituent services and committee structures.

Local Government: Technical assistance on models of city management has been provided to national legislatures and municipal governments in Central and Eastern Europe and the Soviet Union.

Civil-Military Relations: NDI brings together military and political leaders to promote dialogue and establish mechanisms for improving civil-military relations.

Civic Education: NDI supports and advises nonpartisan groups and political parties engaged in civic and voter education programs.

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I. EXECUTIVE SUMMARY

In order for democratization to flourish in the former Soviet Union, timely support must be given to decentralized, efficient, and politically responsive local governments. Until recently, a highly vertical power structure made local governments mere shells, devoid of real power and subordinate to Communist Party authorities. Reform in the former Soviet Union will succeed to the extent that it sinks its roots deeply at the local level, and spreads broadly to the smaller cities, towns, and districts across the vast land mass that encompasses the member states of the former Soviet Union.

Since local reformers are so widely dispersed across the former Soviet Union, grappling with reform issues in isolation from one another, it is important to expand the sharing of democratic management expertise and to strengthen the institutional relationships among reform-minded local groups outside the major cities. Continued support of democratic reform at the municipal government level throughout the former Soviet Union is crucial during this period of decentralization of political power. It is the local politicians with whom the population has the closest contact and on whom the population is most likely to place the blame for the harshness of day-to-day living. If the democratic reformers are seen as unable to perform at the local level, the populace may transfer its dissatisfaction with local democracy to democracy as a whole.

Since August 1990, the National Democratic Institute for International Affairs (NDI) has developed and implemented a technical assistance program in support of municipal reform in the territories of the former Soviet Union. The program addresses political development at the local level as well as provides technical assistance on economic issues to newly elected municipal leaders. NDI held a series of seminars in Moscow and St. Petersburg, which were attended by more than 300 city soviet members and city administrators from Russia, Ukraine, Belarus, Moldova and the Baltic states. To provide expert assistance and share experiences, NDI brought mayors, city council members and administrators -- including city managers and budget and finance officials -- from the United States, Great Britain, Germany, Sweden, the Netherlands, and Poland to its seminars and related programs. The program incorporated both workshops and individual consultations.

In the fall of 1991, NDI initiated the second phase of its municipal reform program, which placed a greater emphasis on individual consultations by leading U.S. and European experts of up to two weeks duration. In this second phase, NDI cooperated with the city soviets and mayor's departments of Moscow and St. Petersburg, selected Russian provincial city soviets (through the 86-member Union of Russian Cities), as well as the Russian Federation parliament's Committee on Local Self-Government.

The NDI program also included the commissioning of research on local government and politics in the former Soviet Union and the translation into Russian of materials on municipal government and finance management in the United States and Europe. These documents included city budgets and budget processes, codes of ethics, and the documents outlining the roles of mayors and city councils.

Through its frequent seminars and assessment missions, NDI developed a series of specific requests for technical assistance from Russian and other city soviet deputies, which are listed in Section V C of this report. We hope that local government organizations in the United States and Europe will be able to respond to some of these requests.

II. GLOSSARY

Deputy: An elected member of a legislative body at the local, regional, republic, or union level.

Duma: A council or representative assembly.

Ispolkom/Executive Committee: Before governmental reforms of the last several years, the executive committee of the soviets at the city or raion levels comprised administrators who ran the day-to-day operations of municipal government. They were elected by the city or raion soviet to handle governance issues (both administrative and organizational) between the infrequent meetings of the soviet.

Mayor: The city soviet chairman who is appointed by the executive committee of the soviet. In June 1991, direct elections were held for the mayor's post in Moscow and St. Petersburg. These mayors serve as the head of the executive arm of the city government. Direct elections are being considered in other cities.

Oblast: An administrative unit of varying size (larger than a county), best approximated as a region.

Raion: An administrative unit approximately equivalent to a city district or borough.

Micro-raion: An administrative unit roughly equivalent to a neighborhood.

Soviet: A legislative body, or council, at each level of government (i.e., raion soviet, city soviet, oblast soviet, Supreme Soviet of the Republic, and former Supreme Soviet of the USSR).

Mossoviet: The Moscow city council or soviet.

Lensoviet: The Leningrad (St. Petersburg) city council or soviet.

III. INTRODUCTION

The events of August 1991, during which an authoritarian coup was thwarted by democratic forces in the Soviet Union, transformed the nature and pace of the political transition in that country. Members of the democratic local governments, particularly in the largest cities of Moscow and St. Petersburg, played a crucial role in coordinating resistance to the coup. Elections in the spring of 1990 had vaulted reformers into the majority in local governments in some of the Soviet Union's largest cities. While the coup unfolded, a struggle within cities across the Soviet Union ensued between reformers and communist forces; and the forces of reform triumphed over those demanding a return to the old policies. (See Appendices I-III.)

Since August 1990, NDI has undertaken a program of local government reform in the territories of the former Soviet Union. This report discusses its purposes, content and conclusions, and addresses the concerns and requirements of reformers at the municipal level. The report elaborates upon the concrete results of the program, proposes recommendations for reform, and lists requests for technical assistance.

NDI believes that the effective decentralization of authority and enhanced political legitimacy of local governments are crucial factors in strengthening democratic reform during this time of extraordinary political transition in the former Soviet Union. The Institute intends to contribute to reform by helping to define the roles of local governments and to strengthen the functional capabilities of newly elected reform-minded local leaders. At every level of government, the experienced officials frequently remain former communist *apparatchiks*; and the reformers are inexperienced in the theory of democratic governance and the practice of management. NDI believes that democratic government and sound municipal management are compatible, that democratically elected leaders can address difficult political and economic transitions more fairly than authoritarian ones, and that pluralism and stability are congruous.

It is the Institute's intention that this volume contribute to the body of available knowledge on the problems of municipal governments in the former Soviet Union and aid institutions that seek to provide assistance to locally elected leaders in the former Soviet Union and in Eastern and Central Europe.

NDI's local government reform seminars originated in the Institute's fact-finding mission that visited regions of the Soviet Union in July 1990. Delegation members visited Moscow and St. Petersburg (formerly Leningrad) in the Russian Federation, and the city of Kiev in Ukraine. The objectives of the mission were to assess the nature and pace of democratization in the country, to identify the principal reform movements and personalities, and to determine the contributions that a political-development institute such as NDI might make toward democratization.

The NDI delegation initiated contacts with leaders and politicians at raion, city, republic, and union levels of government. They included leading members of President Mikhail Gorbachev's Presidential Council, members of the Communist Party's Central Committee staff, members of the Supreme Soviet committees, reformist deputies in the Inter-Regional group and

in the Russian Federation's legislature, newly elected democratic leaders of the city soviets and raion soviets, founders of the new political parties, associations of young political leaders, editors and journalists, public opinion researchers, and academicians at state institutes (i.e., State and Law and USA-Canada).

The NDI team returned with a keen recognition of the enormity of the political and economic challenges facing the democratic reformers, and of their pivotal role in securing a peaceful transition to pluralism and a market economy. The urgency of the reformers' tasks was matched by the urgency of their needs: for information, political training, managerial expertise, and communication, both with other groups in the country and with those abroad. The sharing of experiences was distinctly lacking; in every office, in every group, and in every community, it seemed as if the wheel of democracy was being re-invented.

The survey mission found that democratic reform was proceeding most rapidly at the local government level. In 1989, leading democratic reformers such as Sergei Stankevich and Anatoly Sobchak were elected to the higher legislatures of the Soviet Union from which they proposed to promote reform. When change was not forthcoming from the top, these new democrats opted for bottom-up reform, running for municipal offices in the spring of 1990. Victorious, they took office in major cities and left the Communist Party. Sobchak was elected chairman by the St. Petersburg City Soviet in July 1990, which had become replete with democratic council members. Meanwhile, Gavriil Popov and Stankevich became chairman and deputy chairman, respectively, of the Mossoviet. In August 1990, a number of city soviets, including those of Moscow, St. Petersburg, Ekaterinburg (formerly Sverdlovsk), and Kiev, were at the forefront of democratic reform, trying to build the infrastructure of democracy at the local level.

From the information gathered during NDI's survey mission, it was concluded that local government reform was an area in which the Institute could make a useful contribution. Delegates recommended that the Institute cooperate with the newly elected city soviet leaders. Since, at that time, leaders such as Sobchak, Popov, and Stankevich were also popular national politicians in the Soviet Union (holding seats in the republic or union legislatures) this cooperation would allow NDI to work with the leading democratic reformers in the country. Finally, as more than 65 percent of the population of the former Soviet Union live in cities, NDI concluded that focusing on urban affairs was worthwhile.

Democratic reformers elected to city soviets have been struggling to transform the soviets from ritualistic systems, in which power was vested in communist bosses accountable to superiors in the Communist Party hierarchy, into effective institutions responsive to citizens' needs. In reaction to the oppressive, centralized nature of the former Soviet system, however, there has been a growing tendency among some city and raion deputies to insist that all powers and responsibilities be transferred to the local level.

In the early fall of 1990, the NDI delegation expressed concern that unless the new democrats learned some of the practical skills of governance and democratic management, and reform took root quickly, the temptation would be great for the people to abandon the democrats and political reform and to force economic change through authoritarian means. In fact, by the

spring of 1991, the political strategy of the anti-democratic forces had become clear: blame inexperienced democrats for the economic failures whose real root was the failing communist system. In a televised address in late March 1991, for example, Soviet President Mikhail Gorbachev attacked the Moscow and St. Petersburg city soviets, declaring that the democratic city deputies had "proved their incompetence." Clearly, the task of providing technical assistance to the municipal reformers was critical. Members of the delegation pointed to the emergence of an "insidious argument against democracy," linking political authoritarianism to successful economic reform. This argument contended that growth could not occur without the centralization of political power. While in meetings and forums in Russia's cities, mission members heard the authoritarian East Asian model and Pinochet's regime in Chile applauded. The delegation report suggested that:

there is a real danger here that the telling lessons of Soviet history are going to be ignored. First, a principal cause of the former Soviet Union's catastrophic decline has been the extreme centralization of power, political and economic. Second, absent genuine political reform -- without accountability, responsive administration and most importantly, the legitimacy of governing institutions -- it is uncertain whether any decisive economic transformation can occur. The communist ideology that resulted in a system described by one democratic reformer as 'they pretend to pay us and we pretend to work,' is dead. An ideology based on efficiency alone will not be able to restore the will to work.

IV. LOCAL GOVERNMENT IN THE FORMER SOVIET UNION: 1990-1992

A. Background

The election of reformers such as Sobchak, Popov, and Stankevich to leadership positions in Russian municipalities secured a platform from which to promote their policies while seeking to strengthen and democratize local governments. The old system of soviets, established in 1917, emasculated legislative powers. The soviets were large, unwieldy, powerless, rubber-stamp institutions. City executives, better educated and affiliated with the Communist Party, actually governed the localities and controlled the budgets. The chairman of the city soviet was not empowered to control city executives. Following the elections of 1990, the initial efforts of the radical democrats included trying to break the hold of the Communist Party on local governments, increasing the executive's responsiveness to legislative processes, coordinating the activities of cities with democratic pluralities, and gaining control of local finances.

Between July 1990 and May 1991, NDI missions visiting the Russian Federation and Ukraine had several observations on the status of municipal government. They found that the newly elected democratic local leaders had two principal objectives: to develop the social and economic base for democracy and to learn the technical aspects of government management. The city deputies were trying to devise means to raise funds locally; decide upon ownership of housing, land, and monuments; privatize property; re-organize their unwieldy soviets; establish a more democratic relationship between the executive and legislative bodies; develop strategies of negotiation with their communist counterparts; and improve information, communication, and coordination among the different democratic groups in the local soviets.

Democratic deputies in the Mossoviet and St. Petersburg City Soviet had outlined many reforms that needed to be undertaken more vigorously. The first was the transition to the market economy. The deputies criticized Gorbachev for his failure to successfully implement *perestroika*, insisting that there was no alternative to full-scale, fast-paced political and economic reforms. If the leadership continued the current slow pace of reform, they said, the people would be awash in economic anxieties, and a new totalitarian order could emerge. Political and economic change at the local level, however, could spur more rapid reform measures at the republic level.

In the Mossoviet, some deputies believed that Gorbachev could still lead a united front of democratic forces if he made a Churchillian declaration about the need for "sweat and blood," and took the political plunge toward a market economy. One legal expert in the Soviet Union, however, claimed in 1990 that "Gorbachev cannot transcend Lenin. He has reached his own political limit." The deputies argued then that it was Boris Yeltsin and city deputies who had made the democratic leap of faith toward the genuine political and economic transformation of the Soviet Union.

In their efforts to transform the city soviets into efficient and powerful institutions, democratic reformers across the Soviet Union faced similar challenges. There was an overwhelming uncertainty about the sources and authority of laws and the legitimacy of political commands. The basic issues of the separation of powers and of division of powers between

levels of government had not been resolved. Familiarity with the concepts of a political system that includes checks and balances, accountability, and a balancing of powers between legislative and executive authorities was entirely absent. While the democratic reformers had been trying to create new political parties, a firm social basis for such parties did not exist as yet. Civic groups in society were only slowly being established.

B. Problems of Local Governments

Most cities of the former Soviet Union continue to face similar problems. Virtually all of the infrastructure in cities has deteriorated to the point of collapse. Food is difficult to obtain; the streets, sidewalks, storm sewers, utility poles, and traffic devices of Moscow, for example, are cracked, broken, missing, or inoperative; the housing stock is in dangerous disrepair; the mechanics of raising revenue are ill-understood; and worker productivity is extremely low. There has been no private ownership of property and therefore no reliable tax base. Unwieldy city and raion soviets are bereft of any tradition of a strong elected executive who is responsible to the soviets. In addition, the municipal governments are now held accountable by their citizens for supplying, among other necessities, food and housing -- goods and services that the market provides in other societies.

The large cities, such as Moscow and St. Petersburg, are not exceptions. Some of Moscow's troubles result from its status as the capital city, dominated by government ministries and long dependent upon distant food supplies. Meanwhile, St. Petersburg faces high inflation and an economic base almost wholly dependent on the military-industrial complex. (Nearly 75 percent of St. Petersburg enterprises are related to military production.) These days, new orders are virtually non-existent, and factories may soon close down. And, of those factories that are left, few are controlled by the St. Petersburg City Soviet. The conversion of industries from military to consumer production is a major topic of concern. In its efforts to raise and control its own revenues, the city is planning the establishment of a free-trade zone. St. Petersburg is also suffering from food shortages and a decrepit urban transportation system.

Daily life in Moscow and St. Petersburg has become increasingly difficult. A pervasive concern exists among the people about the availability and prices of food and essential goods. In addition, a basic antipathy to the profit motive has surfaced, with cooperatives and entrepreneurs, for example, increasingly frowned upon by some people.

The city soviets have become unpopular. In Moscow and St. Petersburg, the democrat-dominated soviets are accused of wasting their time on internecine squabbles and pointless debate. Most of the newly elected deputies are untutored in governance, and for many, even in 1992, serving as deputy remains a part-time profession. The concept of the professional, full-time deputy is only slowly gaining currency. As the painful transition from a bankrupt economic order bears down on them, citizens are venting their anger at the city soviets.

Deputies of the St. Petersburg City Soviet argue that the institution needs to be extraordinarily flexible and adaptable in this time of rapid transformation. Like others who are in the forefront of political reform, they are acutely aware of the limited time available to effect

fundamental changes. The people, said one St. Petersburg official, want their new deputies to produce "paradise" immediately, an impossible task given that the communists have "destroyed Soviet culture and the economy." Economic uncertainty causing is great popular discontent to rise to uncontrollable levels, and political changes are occurring rapidly. As one official put it, "We are living 10 years in one month."

i. The structures of local government

There is a hierarchy of soviets in the former Soviet Union. Until September 1991, they existed at the union, union-republic, autonomous republic, and lower levels of government. The latter include oblasts soviets, city soviets, and raion soviets. In addition, there are *krai* (territorial), *okrug* (district), *poselkovye* (settlement), and *selskie* (village) soviets. Whereas the structures of Western governments and their relations to higher authorities are very widely, these features are standardized in the former Soviet Union.

The large size and unwieldy organization of the city and raion soviets has been notable. The Mossoviet, for example, contains approximately 400 deputies. The city soviets have been described by one deputy as "mini-parliaments," making them a rather ponderous policy-making body. Furthermore, until October 1991, the city had 33 raions, each of which maintained a raion soviet of 130 to 150 deputies. The 33 raions had varying characteristics and needs. Some had taxable enterprises within their jurisdictions; others did not. Some raions were responsible for schools, upkeep of housing, and in part, for medical and hospital services. One Soviet analyst described Moscow as consisting of "33 little feudal states." In 1991, one raion refused to participate in the city-wide referendum on the direct election of the Mayor.

In the fall of 1990, the St. Petersburg City Soviet comprised 380 deputies and more than 28 commissions; 20 seats were vacant. Each deputy represented approximately 10,000 constituents. There were approximately 2,500 additional deputies in the St. Petersburg raion soviets.

ii. Executive-legislative relations

Reforming local government is a daunting challenge. In essence, it will require transforming largely ineffectual soviets that were organized to serve the Communist Party, into functioning, managerially adept, and politically responsive bodies. Since the deputies met only for about one day, four times a year, most local affairs were managed by executive or administrative authorities. (The soviet usually elected a specified number of people to serve on the principal executive committee or *ispolkom*.) These authorities, in most instances, have comprised experienced Communist Party members who drew support from professional staffs and volunteer commissions. They were largely unaccountable to the newly elected deputies. After 1990, the democratic deputies in the city soviets quickly realized that the lack of a strong, elected official with operational control over the executive presented a serious political and practical drawback.

In theory, members of the executive were required to report not only to the soviet, but also to the administrative authority in the tier of government above them. In Soviet parlance this

was called "dual subordination." As new reformist forces took over soviets in cities such as Moscow and St. Petersburg, dual subordination led to disputes among different levels of government and conflicting orders issued to city executives.

In St. Petersburg during 1990, tensions persisted between the communist old guard and the democratic deputies within the city soviet and elsewhere. Day-to-day political life was a virtual guerrilla war between the democrats in the city soviet and the St. Petersburg Communist Party based at the Smolny Institute. Deputies complained that government officials sometimes continued to provide information to Boris Gidasov, then the Communist Party leader in St. Petersburg, before they reported to Anatoly Sobchak, then the chairman of the city soviet. The deputies emphasized the difficulties of working in a situation where the old system had broken down and the new one was not yet in place. Real power in St. Petersburg often remained with the communists, but, predicted one deputy in late 1990, the Communist Party's days were numbered. Effective authority was slowly shifting to the soviets as the Communist Party grew increasingly preoccupied with deflecting attacks against it.

iii. Inexperience of city deputies

The democratic deputies elected in 1990 possessed little professional experience in governance, as the previous leadership comprised Communist Party *apparatchiks*. Their level of education and training was generally lower than that of the administrators. Only a small percentage of deputies worked full-time for the city. Although there were hundreds of deputies in each major city, they maintained a minimal professional staff, if any, and enjoyed scant access to the information necessary to manage local affairs.

iv. Inter-governmental relations

As various jurisdictions attempted to assert their authority, the country was filled with multiple, often contradictory laws and declarations. This phenomenon was commonly labeled the "war of laws." While the Soviet Union's Supreme Soviet was considering drafts of a law on political parties and other organizations (initiated nearly a decade ago), the city soviets and raion soviets, like that of the October raion in Moscow, were registering political parties under an old Stalinist law of the 1930s. As local democrats tried to provide rooms and offices for these new organizations, the struggle over buildings and local property rights became the arena in which old communist stalwarts and new reformers fought for control.

In the fall of 1990, a leading deputy in St. Petersburg noted that the soviet's decision to declare the city a free economic zone had not yet been approved at the republic level. The relationship between the city soviets and the republic governments, as well as among city soviets, featured both cooperation and competition. Little information about new political or economic initiatives between the Mossoviet and the St. Petersburg city soviet was exchanged. Relations between the two city soviets was also colored by political competition and the belief in St. Petersburg that all things Muscovite -- including Muscovite reformers -- were "oppressive" and "totalitarian."

v. *Coordination among city soviets*

Information, communication, and coordination among the different city soviets has been seriously deficient. Leading deputies in Moscow have been seeking to establish relationships with city soviets wherever they contain democratic reform elements. (In the fall of 1990, one deputy estimated that as many as 50 cities in the Soviet Union had democratic pluralities.) A major impediment to this effort has been the lack of information on the identity of city leaders in the majority of cities. Deputies also had little knowledge of the nature of decisions undertaken in these soviets. In addition, Mossoviet and St. Petersburg City Soviet deputies have expressed concern about the dearth of experience and organization in their local soviets, welcoming the introduction of new ideas about the structure and administration of democratic institutions.

vi. *Municipal budgets and finance*

In 1990, democratic reformers in the city soviets believed that the creation of truly autonomous self-government and the rupture of the symbiosis between governing institutions and the Communist Party hinged upon the development of an independent financial base and the redistribution of the Communist Party's vast holdings. They needed to find ways to levy taxes, charge rents, and dispose of property.

Traditionally, city finances were controlled by an executive committee, which was also responsible for preparing the budget. The participation of the deputies in the formulation, monitoring, implementation, and revision of the budget was minimal, and little information was made accessible to them. In practice, said one deputy, "we don't even know the basis of the budget."

Information, historical and current, on priorities and implementation, taxation, investment, costs, and subsidies was largely unavailable to local soviets. In 1990, however, the executive committee's budget proposals could be critiqued by the city soviet's budget commission. For example, a subsidy for potatoes was eliminated by the Mossoviet budget commission, and its decision was approved by the full body of Mossoviet deputies.

City deputies have expressed a. interest in learning about methods to control the process by which the executive committees determine and finalize the budget. They have asked: "Who should be in charge of overseeing the budget? Who controls tax revenues in a democratic system?" The lack of trust between the deputies and the executive committee members has made the deputies especially eager to learn how to draft and review budgets. The soviets possess no independent auditing capability with which to assess the performance of administrators in charge of the cities' finances.

Since the former Soviet Union maintained a centrally planned, command economy, higher levels of government dominated local government budgets and spending priorities. Moscow, for example, received monies from the republic and the union governments, and a certain percentage of the profits of state-owned enterprises. New cooperatives and private enterprises paid local taxes only. Generally, municipalities did not have a secure or guaranteed

level of revenue and a properly defined local tax-assessment and collection authority did not exist.

St. Petersburg, where the former Soviet Union's most radically democratic city soviet is located, has faced special problems. Early in their tenure, deputies of the St. Petersburg City Soviet asserted the right to raise taxes locally; however, about 75 percent of the city's industries were military-related and, therefore, under the control of the union government. St. Petersburg's hard-currency income from tourism was also sent directly to Moscow, which then returned a specified sum to the city. In 1990, the St. Petersburg City Soviet declared its city a free economic zone. The city began actively to seek direct contacts with foreign investors and to plan to establish joint ventures.

vii. Privatization of municipal housing

Various strategies for privatizing property, particularly apartments, have been considered. During 1990-1991, the Mossoviet deputies were more optimistic than were their St. Petersburg colleagues about the likelihood of implementing housing reform without giving rise to unbearable financial inequalities and social dislocation. In the view of many deputies, individual freedom, workers' rights, and labor mobility were all restricted by the communist system of state-owned, factory-controlled housing.

In Moscow, the Mossoviet decided to transfer homes, on a voluntary basis, to those residents currently occupying them free of charge. To curb speculation, the city government will place high taxes on the sale of housing to anyone without a Moscow residence permit. Mayor Popov created a temporary Deputies' Commission for Privatization of State and Municipal Housing in Moscow, which will insure social and legal protection to owners and their families.

A deputy of the St. Petersburg City Soviet voiced special concerns about the situation of workers. The workers were "enslaved" in their factories, he said. He urged workers to develop "an independent organization to defend their interests," and to challenge the monopoly of the Communist Party in the factories. The deputy explained that housing was linked to tenure in the factory and that if a worker pressed an unpalatable demand upon the factory manager he risked expulsion not only from his place of work, but also from his apartment, and perhaps even from the town.

Exactly what constitutes or defines municipal property has been a critical concern of all the local soviets. The ownership of property remains a source of tense disputes between raion and city soviets, as both are uncertain about the manner in which property will be divided among the various tiers of government. A decree on the privatization of housing has been passed by some soviets, but it cannot be implemented until questions of property ownership are resolved. One frequently asked question: "How can we privatize housing without it leading to speculation and benefits for black marketeers?" At another level, no distinction had yet been made in 1990 between the properties that belong to the state and those owned by the Communist Party.

viii. The restructuring of local government in Moscow and St. Petersburg

The old system of local soviets was clearly onerous, inefficient and subservient to the Communist Party. The Party in Moscow and St. Petersburg was trying to hold on to its properties and preparing, if the democrats faltered, to take over the city governments once again. Cognizant of these threats, the democratic leadership struggled in 1990 and 1991 to address the restructuring of the soviets. Mayors Sobchak and Popov and Deputy Mayor Stankevich (who has since left the city government to become a state counsellor to President Yeltsin) proposed stronger executive powers for the mayor as one response to the crisis of political inefficacy in the municipalities. These maneuvers are viewed skeptically by many reformers who equate democracy with a virtually complete decentralization of power, and by those deputies who express concern that greater power in the hands of the mayor is the first step down the slippery slope to authoritarianism. Still, the abolition of the municipal soviets was placed on the political agenda in 1990 and 1991, as was the abolition of the raion soviets and the direct election of a mayor with real decision-making powers. (See Appendix IV.)

On June 12, 1991, after considerable debate in the city soviets, the mayors of Moscow and St. Petersburg were elected for the first time by direct vote. (Prior to this historic election, the "mayor" was an appointed official who functioned as the chairman of the city soviet). In Moscow, Chairman of the City Soviet Gavriil Popov was elected to the post of mayor. Shortly after his election, Popov issued a regulation that presented a new administrative structure for the municipal government dividing the city into five sections and providing the mayor with increased powers. Although this move was met with opposition by many members of the Mossoviet, these powers were confirmed by a decree of President Yeltsin in late August 1991. In early January 1992, Yeltsin granted Popov further powers that allowed the mayor to reorganize the city administration, select administrative heads, assume city property, control the city budget, set taxes on property and ceilings on food prices, and distribute confiscated property.

The reorganization of the Moscow administration has been a source of continual conflict between the mayor's office and the Mossoviet. In essence, the mayor divided the administration into five sections: the Department of the Mayor, the Moscow city government, a municipal дума, a municipal assembly, and the Mossoviet. In addition, Mayor Popov established new administrative-territorial units to replace the city's raion soviets.

The newly created Department of the Mayor was physically relocated to new offices away from the Mossoviet. A director general leads the Department, which includes four principal committees. In addition, a control committee has been created with the responsibility of auditing and implementing the mayor's decisions.

In an attempt to appease the old ispolkom, more than 70 percent of the membership of the "new" Moscow city government, comprised old ispolkom members. The city government was placed under the leadership of Vice Mayor Yuri Luzhkov, the former ispolkom chairman. In a dispute with the Luzhkov government in early January, however, Popov gave his vice mayor two weeks to reduce the staff and present a new cabinet. The new 24-member "government of economic reforms" realized few personnel changes, but was reorganized into five departments or ministries, which are devoted to economic reform, social welfare, the city

economy, long-term development, and territorial administration. The appointed ministers answer directly to Vice Mayor Luzhkov, who was given the additional title of Moscow Prime Minister.

Perhaps the most controversial of Mayor Popov's initiatives was the territorial restructuring of the city's regional units. As of October 26, 1991, the executive committees of the 33 raion soviets were abolished, and authority was transferred to 10 "prefectures" headed by appointed prefects. These prefects comprise the territorial administration ministry of the Moscow city government, although they are responsible only to the mayor. Within each prefecture, certain clusters of citizens or neighborhoods were designated "superprefectures." Directly subordinate to the 10 prefectures mentioned above, these 125 superprefectures control local privatization and other issues. The restructuring is intended to clarify the separation between executive and representational authorities. Executive bodies are now able to make decisions without surveillance from the soviet, and local deputies have the opportunity to concentrate on the fundamental problems of the city.

According to an aide to the mayor, abolishing the raion ispolkom in October 1991 helped officially to significantly reduce the power of the Communist Party bureaucracy, long entrenched in those organizations, a process which had begun following Popov's election in June 1991. During the coup, says the aide, "we were able to issue commands through the new structures we had established. Prior to our reorganization, the Communist Party had very good communication networks throughout the raions. Since the time of the putsch, however, the channels of communication stretch from the mayor's office to the new structures."

The municipal дума, headed by the mayor, is designed to be a small council of senior administrators including the deputy mayor, the prefects, and their deputies; the head city comptroller; the coordinator of law enforcement; representatives of the Russian Federation's presidency; representatives of the Moscow military district, and others. Its main task is to coordinate the city administrative bodies with the republic-level authorities. Although the Mossoviet originally was to have the ability only to approve the members of the дума, the members of the дума were in fact selected by the Mossoviet. This has allowed the Mossoviet greater leverage in power struggles with the mayor's office.

Mayor Popov also heads the municipal assembly, which is responsible for the coordination of political and social problems and serves as the mayor's advisory body. Participating in the assembly are representatives of the largest political parties, religious leaders, and representatives of various private, creative, and scientific organizations. As one of Popov's aides said: "The mayor needs this body to be aware of public opinion and to maintain a liaison with the people of these communities."

Meanwhile the Mossoviet reserves to itself decisions on questions pertaining to the municipal дума, the election to and discharge from the positions of the chairman and deputy chairman of the soviet, the formation and abolition of commissions, the adoption and changes in provisions of self-rule, protection of the rights of deputies, confirmations of managers of local administrative bodies, and the approval of plans and programs for the city and budget development.

In what some believe are his ambitions to gain more power, Popov has asserted the need to reduce the Mossoviet from more than 400 deputies to approximately 50. After considerable political infighting, 95 deputies were elected by the council deputies to a "Small Soviet" in mid-January. According to the plan, the "Large Soviet" will retain responsibility for approving the budget as well as developmental plans during their twice-yearly sessions. The Small Soviet will focus on the daily governance of Moscow.

Struggles between the mayor's office and the Mossoviet climaxed on December 19, 1991, when the mayor announced plans for his resignation. In his "farewell" news conference, Popov declared that he would resign by the end of the year. He contended that the Mossoviet was interfering in the functions of the executive. "Why should the will of the deputies be put above the will of the Muscovites who elected the mayor?" he asked. He also maintained that the Russian Federation's Supreme Soviet's Law on Local Self Government was an imposition upon the city of Moscow. The clash between his views and those of the Russian Federation's government came to a head over the issue of privatization, as the mayor believes that Moscow is ready to undergo radical and swift privatization. His decision to remain in the mayor's post was contingent on the Russian Federation granting a special status for Moscow and greater autonomy to implement fast-paced reforms through the suspension of Mossoviet activities.

This conflict between the mayor's administration and the Mossoviet continues. The mayor asserts that his June 1991 election to the post of mayor is more legitimate than the Mossoviet deputy elections, in which a large percentage of seats were reserved for Communist Party representatives and representatives chosen from industries. Some Mossoviet deputies, meanwhile, are concerned that former communists, now calling themselves democrats and holding positions in Popov's government, are regaining power. This fear is exacerbated by the Moscow city government's seizure of city property, formerly owned by the Communist Party. Many believe that control over these properties grants the mayor too much power over its privatization. For the time being, however, the Mossoviet deputies believe that it is in their best interest not to confront the mayor but rather to work through the legal framework of the city soviet.

Restructuring is taking place at other levels of local government, as well. On December 5, 1991 the Russian Federation's legislature passed a law "On Certain Questions Pertaining to Legal Regulation of the Activity of Krai and Oblast Soviets" aimed at improving the conditions for organizing the work of these soviets by having them elect a small soviet from among their members. This small soviet would consist of not more than one-fifth of the number of the deputies of the soviet. In between sessions of the krai or oblast soviet, the small soviet assumes most of its powers.

As the president's representative in Moscow and the Moscow Oblast, Popov formed a working group that is attempting to combine the city and its oblast into a capital district. This move has sparked renewed resistance from the more conservative membership of the Moscow Oblast Soviet.

In St. Petersburg, Mayor Sobchak has not yet radically restructured the municipal government, but he has recently approved a new temporary administrative structure. The

administrative structure will now include the St. Petersburg State Fund, City Properties Committee, the Committee for the Administration of the St. Petersburg Free Enterprise Zone, and the Committee for the Prevention of Extraordinary Situations and the Protection of the Population.

Relations between Sobchak and the city soviet, as in Moscow, have become tense over the issue of executive-legislative powers. Sobchak, like Popov, has proposed a severe reduction in the size of the St. Petersburg City Soviet -- from approximately 375 members to a more manageable 40. He has sought a municipal government of approximately 40 deputies and 30 administrative heads, each of whom he would personally approve. The deputies, to counter Sobchak's growing authority, are seeking to pass a law that would guarantee the supremacy of the soviet's decisions over those of Sobchak and greater control over taxes, the budget, and prices -- to prevent Sobchak from becoming a "democratic dictator." Sobchak, however, like Popov, considers himself to have been more recently and fairly elected, and thus a more legitimate governor. In early December 1991 he, too, threatened to resign if the new "Law on the Status of St. Petersburg" were to contain a passage requiring city soviet approval of officials in the executive branch. Sobchak has been supported thus far, however, by Alexander Belyaev, chairman of the St. Petersburg City Soviet, who has stated that the soviet has no intentions of usurping the power of the mayor. Rather, deputies should retain the power to correct certain decisions, such as the price structure for housing cooperatives.

Most recently, a group of deputies led by Marina Salye and Andrei Boltianskii has been seeking Sobchak's removal as mayor. The group has called for the mayor's resignation and filed a claim with President Yeltsin and the Constitutional Court of the Russian Federation that Sobchak has overstepped his constitutional authority through actions such as the creation of unauthorized executive structures.

Currently, at every level of government, leading reformers are arguing for the strengthening of the executive powers, which some city deputies and national parliamentarians believe comes at the expense of parliamentary authority. In a speech in Moscow, Sergei Stankevich argued that a lack of understanding existed among Russians about the country's current stage of development. Ideas about the separation of powers, he said, are being taken from Western textbooks and applied absurdly. For example, he said, "there is total parliamentarianism at the local level... the idea of checks and balances is being too dogmatically absorbed."

For a more detailed examination of the history of local government structures in the former Soviet Union, please see Appendix V.

C. Conclusion

For two years, the first freely elected deputies to local governments in the former Soviet Union have experimented with different institutional structures, discussed innovative solutions to a wide variety of problems, and gained experience. The need to establish democratic local government in the successor states, however, has reached a critical stage. Faced with a shortage

of funds, growing public unrest, and intensified struggles between higher and lower levels of government, the time has come for local governments to put their words into deeds.

At every level, the struggle between executive and legislative authorities has also become increasingly tense. If neglected, this struggle, along with the decentralization of power that is emerging unaccompanied by the professionalization of the local authorities, could worsen the prospects for an effective transition to a new political and economic system in the former Soviet Union. Thus, the need to coordinate and disseminate information and training on democratic development to local authorities across this vast land mass remains urgent. Western organizations can play a key role in strengthening new institutions, such as local elected authorities and emerging municipal leagues.

V. TRAINING SEMINARS AND RELATED PROJECTS

A. Moscow: December 1990 Seminar and Workshops (See Appendices VI A-C.)

i. Opening Remarks: Walter F. Mondale, December 7, 1990

As chairman of the National Democratic Institute, I am pleased to welcome you to this conference on democratic government.

The participants at this conference, whether from the republics of the Soviet Union, the nations of Europe, or from the United States, are the front line leaders of democracy. An elected or appointed city official is often the citizens' most visible and meaningful agent of democracy. If we fail to make local government work well -- to serve the people's interest -- we may soon be out of office. But if our work succeeds, we will enhance confidence in democracy itself.

Here your challenge is not only to perform the functions normally associated with city management, but also to undertake a major reform of a governmental system that has sought to influence every facet of human life -- including the political thoughts of its citizens. Your experiment of reform should not be permitted to fail. We hope we can be of some help. Your challenge is the challenge of people all over the world who cherish democracy.

The National Democratic Institute has wide experience in providing assistance to those who are committed to promoting, maintaining, and strengthening the democratic process. We have provided technical expertise to politicians in more than 30 countries. This weekend, through the sharing of experiences, we hope to contribute to your search for practical solutions and we hope to learn much from you. The conference we have organized is very similar to your everyday work as city managers. It is about choices. Of course, democracy itself is about choices.

Democracy is about the relationship of one governmental jurisdiction to that of another. Democracy is about engaging citizens in a meaningful way in the governance of their city, state, and nation. Democracy is about deciding the extent to which a government intervenes in the marketplace. And, most importantly, democracy is about making government work in the interests of the people.

In the past, the Soviet Union has emphasized central control. It has not worked. The political system did not take into account human nature. Human beings, after they have satisfied their basic needs, yearn to be free.

Thomas Jefferson wrote, in our Declaration of Independence, that the inalienable rights of individuals were "self-evident." Those who have ignored this truth have created systems built on a myth. The consequences of the futile myth of communism is evident in your streets today. Don't allow the old guard to blame you for the system you inherited.

Decentralization is one face of democracy. Civil liberties -- the freedom of thought and expression -- are another. And when a new society struggles to free itself from the clutches of the old order, there is always disorder. Yet, for democratic government to function effectively and serve the needs of modern communities, good management, political compromise, and the confidence of the public are crucial.

These are clearly times of extraordinary hardship for you. But, democratic governments are not for the good times only -- they must also cope with emergencies. There is a dangerous myth which becomes popular in difficult times -- that authoritarian rulers can better address economic crises. History has shown that this is not so. A democracy can address such problems with equal intelligence and far greater legitimacy and representation. To address emergencies we do not need an authoritarian government but a government which has authority. As you face your current emergency, you need a united, elected government at every level, a government that has the people's mandate.

Democracy is the best servant of the truth and alone among competing political systems it assures an honest history for her people.

I hope in the coming days that we will rediscover these axioms through the sharing of ideas and experiences. Those of us who have come here from other lands already sense that you -- and we by extension -- are living history at this very moment.

ii. Seminar Proceedings

From December 7-10, 1990, NDI sponsored its first training seminar entitled "Democratic Governance and City Politics." Held in Moscow, the seminar was attended by approximately 65 Mayors and city deputies from 30 cities in the Russian Federation as well as delegates from Ukraine. The Mossoviet, the Russian Federation's Parliamentary Committee on the Work of Soviets and the Development of Self-Government, chaired by Nikolai Travkin, and INDEM, a Moscow-based political-research institute, served as co-sponsors. NDI Chairman Walter F. Mondale led the international delegation, which included 13 elected officials and municipal experts from the United States, Great Britain, the Netherlands, Germany, Poland and Sweden. The U.S. delegation was bipartisan.

The seminar format was designed to be interactive rather than didactic, with an emphasis placed on the communication and exchange of views rather than on individual presentations. Each local participant rotated through five workshops that examined specific issues of municipal government: 1) city government structures; 2) powers and responsibilities of local government; 3) privatization and city finance; 4) regulatory issues; and 5) citizen participation. Two or three international participants led each workshop. Each group selected a rapporteur who presented the findings of the group at the closing plenary session.

The December 1990 seminar was designed to provide a basis for answering questions on the powers, responsibilities, and functions of democratic local governments. The seminar sought to increase the knowledge of deputies regarding local politics and management and

promote a rational dialogue concerning the sharing of responsibilities among raion, city, oblast, republic, and union governments, and between executive and legislative authorities.

During the opening session of the seminar, the delegates focused on the question of the city governments' lack of real governing authority. The city soviet deputies complained about their subordination to central government ministries and their lack of access to funds and to effective management capabilities. A maze of conflicts surrounded local government authorities: serious tensions existed between the Communist Party officials and city soviets in handling local affairs, between the city soviet deputies and the soviets' executive bodies, between city governments and the raions within cities, between city soviets and oblast soviets, and sometimes between the city soviets and the republic legislatures.

The city deputies from St. Petersburg and from the city of Novgorod stated that their main problem was defining the relationship between city and raion soviets. Some raions in St. Petersburg and Moscow, for example, were treating themselves as independent economic units. The Novgorod deputies also broached the idea of forming a league of city soviets from the Northwest Russian Federation. One Moscow deputy emphasized the conflict between the new and the old political structures and underscored the fact that the city owned no municipal property.

Conflict is endemic, too, between the communist and democratic-reform factions within local soviets. As one Muscovite put it, in some city soviets only 10 percent of the deputies were communists, but they blocked the work of the other 90 percent. Some deputies expressed particular frustration with Communist Party bodies that were reluctant to relinquish power over the most basic functions of city government, such as energy boards, water supply, and local transportation.

City leaders want to do more than simply lend a sympathetic ear to the problems of constituents. One participant described his dilemma by proclaiming that "being a good fellow is not a profession." A sense of professionalism, he said, is what deputies are sorely lacking.

The panelists presented varying views on the current political and economic problems of their cities and their country. Stankevich highlighted the particular problems of Moscow, thereby providing a perspective on the enormity of the task faced by the newly elected city deputies. Stankevich explained that Moscow has immediate crises that must be addressed, including an acute shortage of food and consumer goods resulting from a combination of adverse political and economic factors. The average age of a Muscovite, he said, is 50 years, and of the city's 8 million permanent residents, 2 million are retirees. This creates an immense need for social-welfare programs.

Stankevich spoke at the opening plenary session and cited three important concerns that need immediate redress: 1) the financial crisis, which, he said, would be resolved only through a favorable conclusion of the dialogue between the union and the republics over taxation -- allowing the republics the right of taxation -- and through new methods to establish reliable budget estimates; 2) the crisis of the consumer market, which could be ameliorated by encouraging private entrepreneurship; and 3) the crisis of the municipal economy, which requires

the development and implementation of a privatization strategy as well as a blueprint for city development. Whatever a city cannot make effective, said Stankevich, should be privatized.

St. Petersburg's Mayor Sobchak spoke at the final session and presented the argument for political and economic efficiency during this period of transition. He argued that a transition to a market-based economy was essential to effect a genuine political transformation. Every citizen, he said, must become an "owner," stressing the importance of privatization in order to create a social base for democracy. Only as owners, he said, will all citizens have a stake in democracy.

Sobchak cited the current system of soviets as unworkable. Deputies constantly interfered in the work of the executive; decision making by the democratic majority had become impossible; there was a failure to share responsibilities and implement decisions; and corruption was growing. The mayor recommended strengthening the executive arm of city government and establishing a workable machinery for decision making. He suggested abolishing raion soviets as legislative bodies and replacing them with executives responsible to the city soviet. The main concern, he said, should be to permit technical and professional appointees to carry out policy decisions efficiently, and to do so in an environment in which the executive remains accountable to the elected deputies.

In the workshops the newly elected deputies asked many questions: How do Western cities raise taxes? How can we privatize? Why cannot citizens pay all their taxes to a city and let the city forward monies to the central government? Should city deputies be permitted to participate in commercial activities? How should power be divided between city executives and legislatures? Should cities own land? How can cities influence or control businesses located in their jurisdictions? How can city deputies effectively address the problems of their constituents?

NDI sought to ascertain the level of expertise of local deputies and determine areas of local government reform that should be the subject of follow-on, specialized seminars. As will be evident in the following descriptions, which are largely based on the reports of the international participants, some questions arose more frequently than others. These questions demonstrated both the particular, pressing concerns of the moment as well as broader dilemmas faced by local leaders due to the chaotic political transition to a less-centralized system of government. Many of the questions raised about local government in democratic societies were extremely basic, often leading the panelists to address the most rudimentary aspects of local government.

Evident throughout the workshops was the vicious political cycle in which the newly elected deputies found themselves: unless the Communist Party relinquishes control over the levers of power, unless political reform proceeds at the union and republic levels, that is, until the larger struggle for power is resolved, their efforts to implement policies at the local level are likely to be either subverted or ineffectual.

a. *Workshop 1: Structures of Local Government*

Panelists: Baroness Patricia Hollis, Member, British House of Lords, Labour Party expert on local government; George Latimer, former Mayor, St. Paul, Minnesota, former President,

National League of Cities; and Senator Jerzy Regulski, Undersecretary of State for Local Government Reform, Warsaw, Poland.

In discussing various models of local government, the panelists and the participants sought to link the organization of a local government to its relationship with regional and national governing structure. The Western structures discussed by the experts included the strong mayor, weak mayor, city manager, and soviet-manager forms of government; committee versus cabinet forms of government; the separation of the executive from legislative authority; and modes of election -- by simple majority or proportionality, directly or indirectly -- and their effect on local government.

The workshop leaders described how the functions of local and national government are divided in their respective countries and emphasized that healthy competition between local and national structures is normal in democratic systems. They suggested that in creating local governments each community should choose a structure that suits its particular needs and values. Three sets of issues, they said, must be addressed before any new structure can be devised:

1) Geography -- Local government should comprise geographic units that reflect the community and are not so large that the government loses its representative quality. For example, a single-tier government may be appropriate in a large urban area; in sparsely populated regions, however, a government consisting of two tiers (regional/local) may be preferable.

2) Internal Structure -- It should be determined whether the office of mayor will serve as executive head of the soviet or whether it will also encompass the responsibilities of city manager.

3) Resources -- A budget for staff, social funds, and property should be established at the outset that stipulates how much will be raised at the local level and how much the national government will contribute.

The discussion concerning the function of local governments raised issues concerning some of the fundamental challenges of political development in the former Soviet Union today. Formerly, the local soviets functioned as part of the administrative network of the Communist Party, carrying out the policies dictated by the Party's central command. In 1991, as the Party continued to fragment, this network disintegrated into a diffuse collection of mini-governments, with each, even the smallest rural district, claiming complete authority. Since the communist system provided no neutral arbiters, the product of this transition was endemic conflict. The obvious confusion that results was best characterized by one participant from St. Petersburg, who inquired about which laws he should obey: those of the city, those of the republic, or those of the union.

Subsequent discussion centered on different aspects of multiparty representational structures and issues of conflict resolution. The workshop leaders presented the advantages and disadvantages of proportional and majoritarian systems. It became apparent that the city soviets lack a clear separation between the legislative and executive branches, or a system of

accountability. Thus, the St. Petersburg City Soviet, for example, features both a presidium of the legislature and an executive soviet. One participant asked whether a mechanism existed that could ensure a fair consideration of the views of all the political groups represented in the local soviet, so that the group that happens to be in power does not dictate to all the others. The panelists responded by describing a standard committee system, including an executive committee headed by the mayor. Such a system would involve all parties in the development of policy and provide a forum for resolving political conflicts.

The panel noted that at the time no viable party system had emerged to replace the decrepit Communist Party apparatus. Hamlet's ghost, as one expert phrased it, was the term "political party." Years of Communist Party rule produced an environment of anti-partyism that one panelist believes is retarding the development of organizations that could facilitate the work of the city soviets. A proliferation of single-cause groups present an obstacle to reaching consensus. Political parties are an important component to achieving an efficiently functioning local government, one expert concluded, since parties link questions of representation and accountability with the effective and efficient delivery of services.

b. Workshop 2: Local Government as Manager

Panelists: Joseph Riley, Mayor of Charleston, South Carolina, former President, U.S. Conference of Mayors; and Klaus von Dohnanyi, former Governor, Hamburg, Germany.

The workshop addressed three main issues: the efficient organization of local government, relationships between executive and legislative authorities, and the division of powers between city and district soviets.

Currently, the sheer size of the city soviets presents a major obstacle to the policy-making process. The size of the Moscow and St. Petersburg city soviets are approximately 500 and 400 deputies, respectively. Moscow comprises 33 raion soviets, each with between 100 and 150 deputies, while St. Petersburg has 2,500 raion soviet deputies. By contrast, the largest U.S. city councils number between 30 and 40 members. While a reduction in the size of the soviets should be considered an important long-term goal, both experts explained that for the time being the deputies would have to learn to work more effectively within the existing structures.

Dohnanyi and Riley discussed the differences between two types of mayoralities. In one, the mayor functions as the chief legislator and is elected by the soviet to head an executive committee composed of other deputies. The alternative is a presidential system, in which the mayor acts as a city manager directly elected to his post by the voters.

The latter type generally results in stronger mayoralities. In either case, the soviet needs to create a cadre of professional civil servants who administer policy. Mayor Riley explained that in the U.S. these officials are career administrators trained for the specific purpose of executing directives issued by the mayor. They should not be appointed or evaluated on the basis of their political views but solely on their professional merits. He also discussed the role and ethics of U.S. mayors and emphasized the importance of an independent judiciary in making a democratic system function.

The city budget, the key document for regulating the affairs of the city, was singled out as the greatest source of debate and conflict between the mayor and the other members of the city soviet. The workshop leaders described the process by which a budget is first introduced by the mayor, amended and approved by the soviet, and finally implemented once again by the mayor. The discussion of city finances touched on the raising of revenues through taxation, determining salaries for deputies, and the management and privatization of enterprises owned by the city.

Several tools were suggested to ensure the efficient management of city soviets. The essential point underscored by the panelists was that efficient democratic government requires order and rules. For instance, regular meetings should follow pre-determined rules of procedure, and debates -- which have become unending and a source of great frustration in the city soviets -- should be limited by bringing motions to a vote once all points of view have been represented. The soviets should establish the quorum necessary for a vote as well as a higher quorum required to overturn a previous decision. Finally, the soviets should set an agenda before each legislative session.

Local participants repeatedly asked questions relating to the divisions of governmental responsibility at the local level. Dohnanyi explained that during a revolutionary period, when the natural tendency is to trust small units, extreme decentralization of government makes city management impossible. Smaller districts should find a method of cooperating and petitioning the city soviet, but should not be given powers such as taxation. Once a city soviet abdicates these powers during a revolutionary phase, it is not likely to get them back.

c. Workshop 3: Economic Problems of Local Government

Panelists: Padma Desai, Professor of Economics, Columbia University, and Peter Young, privatization consultant, United Kingdom (where the Conservative government has conducted the democratic world's most extensive program of privatization).

The discussion in this workshop centered on the issues of the economic role of city administrations, the manner in which they can raise resources, and the ways in which they can privatize their economy. Opening the session, the workshop leaders provided an overview of the economic role of city administrations in the West and delineated the lessons that can help to guide city administrators in the Soviet Union. The presentations discussed the alternative roles played by the public and private sectors in managing a city's affairs.

In the discussion that followed, the participants were mainly concerned with eliminating the central government's involvement in the economic life of the cities. There was a persistent search for financial self-sufficiency for the cities. Both experts stressed, however, that it was not a sound idea for cities to own everything. Complaints were expressed with regard to the union government's management of prices, exchange rates and taxation. At the time, the union government raised all taxes and returned a fraction of its revenues to the cities for financing a limited number of activities, such as education and health services. Participants asked why this process could not be reversed, with the cities raising all taxes and passing on a fraction to the republic and another portion to the national government.

Acknowledging the cities' frustrations and proposing some local solutions to their problems, the experts also discussed the macroeconomic role played by a national government in managing an economy. They pointed out that the national government cannot be the residual claimant of tax revenues and foreign exchange, that U.S. cities are not autonomous, nor are they financial actors, and that the more cities try to provide, the more revenues they will require.

Privatization was extensively discussed, although there appeared to be some confusion as to its meaning and effects. Some local participants thought privatization meant the ownership of virtually everything by private individuals while some others thought it simply meant the transfer of ownership of businesses and property from the union to the local government, i.e., the perpetuation of public ownership with local officials in control.

The experts identified some of the current problems with institutionalizing privatization policies, many of which stem from trying to privatize a command economy in parts, without any comprehensive move toward a free market: 1) the inability to clarify who owns what, or which level of government has responsibility for which type of property; 2) the fear that the "mafia" will try to purchase everything that is put on sale; 3) the low purchasing power of the bulk of the population; 4) the difficulty of privatizing small enterprises when prices remain controlled by the state; 5) the problem of guaranteeing supplies of vital goods if a particular enterprise is privatized and there is no alternative supply in the vicinity; 6) technical difficulties, including the lack of knowledge or experience in organizing privatization; 7) the complexity of privatizing large, integrated organizations; and 8) welfare considerations. In discussions about the sale of housing stock, the concern with welfare considerations was overwhelming.

The discussion indicated that, if given free rein, some city deputies would merely replicate, on a local level, the central model of public ownership. City deputies appeared to envision a large economic and financial role for themselves, owning factories, operating a large variety of services, and raising resources for the purpose without depending upon the national government. The workshop leaders argued that city governments should seek a more limited role in the economic life of their citizens, concentrating instead on providing essential services and on privatizing certain stock and services.

d. Workshop 4: Regulatory Issues of Local Government

Panelists: Glenn Cowan, former Mayor, Lambertville, New Jersey; Norm King, former City Manager, Palm Springs, California, City Manager, Moreno Valley, California; and Lennart Rydberg, City Commissioner, Stockholm, Sweden.

The discussion centered on the functions and types of city regulations, the powers and jurisdiction of the city government, the role of the executive, and regulatory costs and standards.

Workshop discussions covered a variety of regulations governing city services, use of resources, individuals, and city planning itself. The leaders stressed the need for specific regulatory services concerning building, land use, toxic materials, public health, police, and environmental pollutants. The deputies asked many specific questions about the setting of standards. Questions were also asked regarding the role of local police forces, how they are supervised and their relationship to the city soviet. The deputies were interested to learn that

the enforcement of criminal statutes is almost exclusively the domain of the local police. Concerns were also raised by deputies about the potential for elected officials to abuse their power. In response, workshop leaders advocated the development and implementation of a code of ethics, an idea that was very well-received by the deputies.

The panel stressed that, as local governments acquire more governing power, it does not mean that the national government relinquishes its control over such areas as protecting public health or in developing planning and economic regulations. Local authorities should maintain a healthy dialogue with national authorities in order to develop a consensus among the different levels of government. The panel also pointed out that local regulation and inspection were used not only to enforce local laws, but to enforce simultaneously laws of the state and the nation, especially in the areas of criminal, public health, and building codes. Regulate, advised one panelist, but do not dominate.

The issue most frequently raised in this workshop concerned the roles of and relationship between local government's legislative, or policy-making function, and its executive, or implementation function. In the former Soviet Union there has been no tradition of executive subordination to local decision makers because historically local decision makers possessed few powers. Today, executive authorities are sometimes viewed as impeding the will of the newly elected deputies. Many of the questions raised regarding the development, adoption and administration of the budget, for example, centered, once again, on the relationship between executive and legislative authorities.

Although believing that regulation is necessary, the city soviet deputies were concerned with the costs associated with such a system. The panel pointed out that many U.S. cities charge fees to support regulatory activities rather than use tax funds.

Other issues discussed included franchises and contracts for the private provision of services, bidding, and contract administration, pollution control, setting standards for public service, public hearings, appeals processes, the role of the press in exposing improper practices, penalties, complaint systems, pornography control, taxi regulations, and the establishment of staff levels in city soviets.

e. Workshop 5: Citizen Participation

Panelists: Ann Branston, Deputy Chief Administrative Officer, San Francisco; Jules Maaten, City Deputy, Amstelveen, Netherlands; and Ronnie Eldridge, Member, New York City Council

During this session, the international panelists and participants discovered that they shared certain frustrations regarding citizen participation in municipal affairs. The specific topics covered by the workshop included constituent relations/services (e.g., responding to constituent requests for help in finding an apartment); advisory committees and public hearings; informing constituents of legislative activities and issues; direct democracy (e.g., recalls, initiatives, and referenda); the role of political parties, and relations with the media.

On the subject of constituent relations, the panel sought to distinguish between a deputy's "appropriate" interventions on behalf of constituents -- such as helping constituents gain access to government services and ensuring that they receive a fair hearing -- and "inappropriate" interventions, such as trying to obtain special favors for constituents that are not universally available. Local participants were intrigued to discover that many elected officials in Europe and the United States dedicate certain staff to respond exclusively to constituent requests.

A number of the participants indicated some familiarity with the use of advisory committees. In response to questions, the international panel tried to clarify the difference between voluntary advisory committees composed of citizens and experts who provide input on predominantly political issues, and paid expert consultants, who furnish advice on technical issues. The panel also pointed out that citizen participation through advisory committees and/or public hearings is occasionally a legal requirement.

The role of parties at the local government level was clearly a topic of some interest to the local participants, since many of their most prominent reformers had already abandoned the Communist Party and refused to join another party. The participants seemed surprised that the international experts were not in agreement on this issue. Instead, the panel's experience represented the gamut of options, from the Netherlands, where parties play a very important role in local government; to New York City, where candidates run on a party ticket but otherwise do not emphasize their political affiliation; to other states, where local elections are predominantly nonpartisan.

With regard to informing constituents about legislative activities and issues, the panelists presented several standard methods, such as holding community meetings and circulating newsletters. Occasionally, this discussion evolved into a broader debate on how to counter voter apathy. The panelists conceded that this is a growing problem in the West as well, for which there is no easy answer.

When questioned, the workshop leaders expressed reservations about direct-democracy practices, such as recalling deputies, citizen initiatives, or public referendum. They contended that recalls could be abused by a small minority with strongly held views on a particular issue and could disrupt the continuity of the political process. The panel emphasized that elected officials should be judged over a long period of time, rather than on the basis of one controversial issue. There was also general agreement among the panelists that referenda are best used in situations where voters are asked to decide "yes" or "no" on a clear-cut question (e.g., capital punishment, nuclear power plants). Legislative bodies, rather than the entire electorate, should address complex legislation where compromise is likely to be the appropriate outcome.

**B. Moscow and St. Petersburg: May 1991 Seminar and Workshops
(See Appendices VII A-E)**

i. Opening Remarks: Sergei Stankevich (Moscow), May 12, 1991

Dear participants of the conference, ladies and gentlemen. The problem all of us are encountering every day can be designated the "crisis of cities." The crisis of cities has faded into the background of the wide-reaching and general crisis in our country. The crisis of cities is practically never written about or discussed. This conference, however, will address many of the pertinent questions relating to the deepening crisis of our cities. It will suggest methods to overcome this crisis. I hope that together we will be able to submit this question to the session of our city soviets.

From my point of view, the crisis of cities is a general crisis, composed of five main elements. The most obvious, and most socially explosive, is the crisis of the consumer market. The second element is the gradually sharpening crisis of industry concentrated in our cities. This crisis is still in a formative stage, but it has already begun to halt production and to slow the import of raw materials. In the coming months this progressive halt of a major component of city industry will become one of the most difficult factors in the crisis of cities.

The third element is the crisis on the streets of our major cities. Besides the general disorganization of administrative bodies, it is important to note that the major city facilities and buildings were built 10-15 years ago. They were based on plans from the 1930s. Now, intensive wear is taking place on our engineering facilities and housing units. Moscow's facilities, built in the 1930s, are actively decaying. The same can be said about a major part of the housing built during the so-called Khrushchev housing period. All of this genuinely worries us in Moscow. In fact, this problem is felt sharply in all the cities known to me.

The fourth element is the crisis of city finances. This theme will be discussed in detail at our conference. The fifth element is the crisis of city management. We discussed this topic at our first conference in December 1990. Therefore, I will note only that it is manifested in the inability of city managers to respond to the previous crises I have mentioned.

Many crises are connected with the fact that the organization of local government is ineffective. While at first glance, the present style of organization has the ability to solve some determining questions, it has no historical perspective. The transfer of power at the municipal level is the task of our day.

The transition from a large and ineffective city council to municipalities took place in the United States at the end of the 19th century. I am guided by the hope that, by utilizing world experiences in the sphere of city government, we can realize the reform of local government in a shorter period of time. I stress that we must discuss this cross-fertilization of views at our conference, and I hope that the participants will arrive at serious and far-reaching conclusions.

The financial crisis of the city is a topic of special concern at this conference. It is manifested in the fact that the transfer of money to the city budget has become minimal. At this moment the demand for a new structure of financial transfers to the municipal level has reached its limit. We must examine hypothetical ways to exit this crisis based on world experience.

From my point of view, it is necessary to increase the stability of revenues from traditional sources. Unfortunately, in Moscow today we do not have confidence that all who must pay taxes to the city do pay them. This is a polite explanation of the problem. Based on the estimates of our experts, up to one-third of potential revenue is lost because of chronic tax underpayment by our citizens. We desperately need an effective tax service or system of effective control for the collection of revenues.

We also need to develop new sources of revenue. Specifically, large cities throughout the world finance their strategic programs of development as well as municipal construction using financial loans. I think that we will reach a point after which it will be imperative to use these funds. The process is a new one for us, and it is very important that we not make mistakes. I hope that we will have the opportunity to discuss this topic here today.

Moscow has received many offers of assistance (for example, to float loans) from various potential partners, including foreign ones. We are not in a hurry to react, as we want to carefully prepare ourselves and to familiarize ourselves with world experiences and not to step onto this path blindly. I think that one of the possibilities for overcoming the municipal crisis is to remove excessive burdens from the city budget. Actually, many things that we need to finance can and should be transferred to a self-financing mechanism through the process of privatization.

In my opinion, while privatization is very popular now in the city council, it runs the risk of turning into the next myth of political consciousness. Active enthusiasts repeat this word several times a day, as if by magical incantation our reality will begin to change. Yet in order to have effective privatization it is necessary to increase the effectiveness of the city economy. Only as we begin to privatize are we beginning to realize that the basic problems of moving to a market are connected with the absence of professional skills, and with the absence of the very entrepreneurial spirit we actively destroyed during the last several decades.

Privatization is not universally applicable to cities. In world experience there are three types of property ownership and management. The first is state and municipal property, the second is private property, and the third is a combination of municipal and private property. This third type requires the use of city resources as well as creates the possibility of using private capital to solve the problems of cities. This type has not received enough serious attention.

Although they are strictly to direct continuation of municipal services, I think attention to the third type will gradually increase and I hope that this type of property management will find a place in the discussions at our conference. This will allow us to take one more step to increase the revenue from property which will remain in the possession of the city. This is one possible route to overcome our crisis.

I hope that I have been able to raise some concrete issues which will be discussed at the conference. Thank you for your attention. Once more, I wish the participants of the conference success.

ii. **Opening Remarks: *Anatoly Sobchak (St. Petersburg), May 15, 1991***

I am very pleased to welcome you to "Democratic Government and Municipal Finance." The first conference of this kind, held in Moscow last December, was a great success. It provided us with a great deal of knowledge about the structures of political power in the USA and other countries. Today we will have another chance to familiarize ourselves with colleagues from 6 countries, giving us a chance to look more closely at the systems of municipal finance and the bodies of local self-government.

This conference has a special symbolic meaning for St. Petersburg. Today, the session of the St. Petersburg City Soviet will be voting, I hope, on the radical reform of local self-government. Reform of the bodies of local self-government is a necessary step in order to transfer the state from the Communist Party to a truly democratic government. In this sense we have found ourselves in a very difficult situation. We have inherited a crippled system of power that cannot function in a multiparty system. Just look at the number of deputies there are at the level of local self government. Today, there are 400 deputies in the city soviet of St. Petersburg and 2,500 in the district soviets. In the past, these have been insignificant people; they were never elected in the true way. However, they have always upheld the opinion of certain organizations. They always voted for everything as they were told. And this system worked flawlessly for a long time.

Now, however, in many city soviets, the new deputies represent many different parties and opinions. It is difficult to pass even a single decision and a great deal of our efforts are wasted. Many contradictory positions are put forward, and we are finding it difficult to discover a common ground. More often than not, we cannot pass the decisions most important for the life of our city. We either pass decisions that are not advantageous or decisions that have no legal basis. And let us not forget about the parallel executive structure, and the weakness in the division of powers at different levels. Today we have a dead system of power combined with a collapsed economic situation. That is why we have now set before ourselves the task of reforming the system. If we fail, the democratic process in this country will come to a halt. And there are serious chances of its defeat.

Today, we are faced with the problem of making the executive agencies at all levels more professional. This is an acute problem. For 73 years, we have been watching professional communists guide our country. In their way, these were professional people. Today, however, we are working with new people, who have not been previously engaged in politics. We cannot even call them dilettantes. These people, who have never engaged in politics, now hold critical positions of leadership in municipal and state governments. It is totally natural that they need some time to gain experience, as politics is a very serious profession. It has become very difficult to move ahead rapidly, given all their conflicting opinions.

We must travel all the way along this road of reform. To do this, we must learn the "abc's" of politics as soon as we can. We should make good use of foreign experiences, as our problems are not new in the global sense. At various times, all countries have faced such problems. (I remember the years after World War II when Germany, France and Italy were battling for democracy.) We should not think that our situation is unique. Rather, we need to

understand our problems and most importantly, we need to tackle them. If there are several different values or options proposed, then we must take the empirical route.

At this stage, any decision may be better than indecision. We are witnessing conflicts on the economic, social, ethnic, and national sphere, conflicts that are leading to real human tragedies. Moscow and St. Petersburg, as well as other towns and cities with democratic self-government, are characterized mostly by their inability to pass decisions. Political tensions are running high. People are trying to establish themselves or their parties or groups by attempting to solve every problem. These people forget the importance of the professional development of leadership.

Leaders must understand priorities: what is most important and what is of secondary importance. If you look at the agenda of this conference you will find many key issues of municipal governance: problems of budgeting, finances, establishing a tax system, and problems of local-self government. These are all problems that we are facing today. They are important. Either we tackle them, or we will be continually talking in our city soviets without making any decisions. If this continues, we will surely return to our past, to dictatorship. Many political leaders go on talking when they should be making decisions, to my regret.

Today the St. Petersburg City Soviet will make one of the most important decisions in years: the decision on the new structure of municipal power, on whether there should be a city-wide vote for mayor. I am honored to open this conference at this time and I wish you every kind of success.

iii. Remarks to the St. Petersburg City Council: *Kenneth Wollack, May 15, 1991*

I am pleased that NDI was able to bring such an experienced and talented group of experts to Moscow and St. Petersburg to share their practical experience and expertise. They came from six countries and represent in many ways your foreign counterparts: mayors, economists, elected officials who serve on finance committees, members of what you would call executive committees, and, in the case of Poland, leaders of local government reform efforts. They represent a wealth of practical knowledge. They come without financial compensation but with a deep and abiding commitment to your democratic cause.

At the risk of oversimplifying, the evolution of local government in the United States has represented an ongoing struggle between the efficiency of municipal government and democracy, or the opportunities by the citizenry for greater representation.

The American system began prior to our revolution more than 200 years ago when cities were public corporations, chartered by the British, with no checks and balances, no separation of powers.

New democratic concepts were introduced during the 19th century. These included broader voting rights and separation of powers between the mayor and the council. There was a massive growth in the size of city councils, and this new system emphasized political parties and easy access by the citizens to their elected representatives. This system was more

cumbersome and many elected officials sought to pursue the more narrow interests of their respective constituencies.

Reform efforts in the latter part of the 19th century succeeded in enhancing the role of the mayor and reducing the size of city councils. This was followed by what became an extremely popular council-manager system which, in effect, was a return to the more basic pre-revolutionary system. It is a system with fewer checks and balances and more closely resembles a private corporation. It puts a premium on efficiency rather than politics.

Today, according to some local government experts, there is a trend to seek a middle ground. While there is a risk of a return to more narrow interests, there can be greater opportunities to enhance the democratic experience for a growing number of citizens.

We recognize that the obstacles to reform efforts in the Soviet Union are infinitely greater. And you hardly have the luxury of 200 years to show that democracy works. At the same time, our founding fathers were unable to benefit from the experiences of others. There were few models of democratic institutions and practices, and if there were, the slow pace of information would have made the learning experience difficult.

The obstacles ahead of you are enormous but by no means insurmountable. In NDI's political-development programs in nearly 30 countries, we have worked with courageous people who have overcome tremendous odds to establish the foundations of a democratic system -- from the Philippines to Chile to Czechoslovakia to Namibia to Paraguay to Poland. Each of these countries is unique but their people shared universal hopes, values, and aspirations. They believed in a democratic system that does not solve all problems but is best suited to correct mistakes, a system that is not based on a single ideology but is deeply rooted in a process that can resolve disputes peacefully.

We are here not to try to impose solutions or to resolve complex problems. We are here to share our individual and collective experiences (both positive and negative) and to help contribute to an informed debate that is not carried out in isolation. Not everything you will hear will be applicable now. But over time, as your system evolves, the information we share will become highly relevant. And our commitment does not end with this conference. I would urge each and every one of you to establish ongoing relationships and communication with the international experts once they return to their respective countries. We are very pleased to be here and look forward to a productive and rewarding experience in which all of us learn from working together.

iv. Seminar proceedings

During May 12-16, 1991, NDI sponsored a second series of seminars entitled "Democratic Government and Municipal Finance." The seminars were held in Moscow on May 12-13 and in St. Petersburg on May 15-16. They were co-hosted by the Mossoviet and Deputy Mayor Stankevich, and by the St. Petersburg City Soviet and Mayor Sobchak. Valery Riumyn, mayor of Ryazan, Russia and also president of the Union of Russian Cities, co-hosted the Moscow proceedings as well. Twelve local government trainers from six countries -- the United

States, Great Britain, Germany, Sweden, the Netherlands, and Poland -- served as workshop hosts. Local participants, numbering approximately 85 in Moscow and 50 in St. Petersburg, included district, city, and regional deputies and administrators from Moscow, St. Petersburg, and 10 other cities in the Russian Federation, as well as delegates from Kiev and five other cities in Ukraine, from Kishinev in Moldova, from Minsk in Belarus, and from Vilnius, Kaunas, and Riga in the Baltics. Three members of the Supreme Soviet of the USSR and three members of the Supreme Soviet of the Russian Federation also participated.

Harvard University's project on "Strengthening Democratic Institutions" coordinated its work with NDI during the May seminars by providing one municipal government expert as well as research materials on the city of Moscow.

The workshop topics included: 1) the separation of powers and city government structure; 2) the budget process, information, and accounting; 3) budget gaming; 4) revenue and taxation; and 5) property and privatization. As in the December seminar, the participants rotated through each of the five workshops and chose a rapporteur to present the group's findings at the closing plenary session.

During the workshops, the local participants asked many questions about techniques and procedures for passing a budget, methods to "regulate entrepreneurs," financial auditing, and model city charters and budgets. The city deputies and the international trainers engaged in detailed discussions on topics including: separation of powers on budgetary issues, structures of democratic governance, the concept of a civil service, tax-collection techniques and enforcement, methods of valuation for taxation purposes in a country with no market, audits, problems of property ownership, privatization of housing, the process of formulating a revenue base in local budgets, a comparison of Western and Soviet approaches to the questions of budgeting, and the Eastern European experience with privatization.

In preparation for the seminar, NDI translated training documents on U.S. and European municipal government structures and finance for the distribution to the local participants at the seminars. The materials included: a code of ethics for elected officials, manuals on budgeting and municipal finance, articles on privatization, and information on various financial strategies of local governments in different democratic societies. As teaching aids, each international expert prepared a training paper for his or her workshop, and NDI made available a glossary of municipal budgeting and finance terms for workshop participants, all of which were translated into Russian. (See Appendix VIII). NDI's experts also provided the deputies with municipal budgets, local government reform legislation (from Poland and the Baltics), and other documents. These materials proved useful both during the training sessions as well as for future reference following the conference.

After the opening plenary session, the local participants were divided into groups of 15 to 20 members each. (In St. Petersburg, the groups were somewhat smaller.) During the next two days, each group attended five two-hour workshops addressing topics pertaining to democratic city government and local government finance.

Each workshop was led by a team of two or three international experts. The workshop leaders delivered brief individual presentations; the remaining time was devoted to discussing the questions posed by local participants. The workshop topics were developed as a result of the conclusions of NDI's December seminar in Moscow, subsequent discussions with city soviet deputies during NDI's April survey mission, and questions submitted by the Mossoviet. (See Appendix IX.)

Each workshop devoted time to discussing fundamental questions regarding the responsibilities of the various branches of government; the participants tended to raise many of the same pressing issues in every workshop. By assigning, wherever possible, mixed teams of U.S. and European experts to each workshop, NDI exposed the participants to a broad variety of democratic local government structures and practices.

a. Workshop 1: Democratic Governing Structures

Panelists: Thomas Volgy, Mayor, Tucson, Arizona; Zev Yaroslavsky, Chairman of the Budget and Finance Committee, Los Angeles City Council, California; Bogdan Jankowski, Foundation in Support of Local Democracy, Bialystok, Poland.

This workshop covered three main issues: 1) the democratic organization of local government, i.e., the structures that allow the government to reach decisions amid conflicting and competing interests; 2) the separation of powers that ensures democratic control over the decision-making process and the means with which the legislators may check the power of the executive branch; and 3) the division of powers among the various levels of government, specifically, the responsibilities that should rest with the municipal government.

Members of the international panel stressed that no one municipal government structure has proven superior to all others. Instead, they described democracy as a process of constant experimentation that responds to specific situations. In his presentation, Volgy examined three models of city government: the city-manager model, in which the executive is appointed by the city council; the parliamentary model, in which the council members take on the functions of the executive in the form of a cabinet; and the model in which the mayor and the city council are both independently elected. The panelists noted that major U.S. cities have gravitated toward the last model.

The presentations also addressed a major dilemma of democratic governance. While a democracy strives toward granting representation to as many different interests as possible, it also must be able to build governing majorities that can make decisions and produce results, a circumstance that necessarily limits the size of elected bodies. The panel pointed out that the soviets of cities like Moscow (500 deputies) and St. Petersburg (400 deputies) are far too large to govern effectively. (They noted, too, that many citizens of the Soviet Union complain that the city soviets are mere debating societies that do nothing but pass resolutions and talk.) By contrast, Yaroslavsky noted, the Los Angeles City Council comprises 15 members, and no U.S. city council has a membership greater than 50.

The panelists explained the principle of separation of powers and its role in ensuring a balance between two generally conflicting interests, the legislative and the executive, so that

neither can usurp complete control over the government. Yaroslavsky noted that this notion was a foreign concept to the participants whose system has long been based on a strict vertical command structure of governance. Volgy emphasized the beneficial nature of the conflict between the two branches of government: one is constantly making sure the other is doing its job. Thus, while the system of checks and balances sometimes hampers the speed with which decisions are made, it guarantees better results. He added that a critical component for the success of this process is the presence of an independent judiciary that can act as an arbiter of disputes between the executive and legislative branches.

Yaroslavsky pointed out another important condition for balancing the forces between the executive and legislative branches of government: guaranteed access to information, i.e., the provision that all documents be made public. Without receiving a full and detailed account of the city's expenditures during the previous year, for example, his committee could not properly review the mayor's pending budget proposal. The local participants were particularly impressed with the level of budgetary detail that a Western chief executive is required to provide to the council. They were extremely surprised that the U.S. has laws such as the Public Records Act and the Freedom of Information Act that legally entitle not only legislators but also any citizen and member of the press to gain access to public documents.

Yaroslavsky described the Los Angeles budget in general terms, outlining the types of services the city provides to its citizens. He stressed the necessity, given the city's limited means, of relying on higher levels of government to help provide certain services. He cited the construction of the Los Angeles metropolitan rapid transit system, which is partially funded by the federal government.

The discussions that followed were particularly animated when the topic focused on the division of power between the executive and legislative branches. There was a pervasive suspicion of a strong executive. Deputies were anxious to learn about safeguards that exist in the West to protect against an inordinate concentration of power in the executive, particularly procedures to recall the mayor.

Some elected officials recognized the necessity for establishing an independent judiciary. However, given that corruption has escalated during more than 70 years of Communist Party rule, most participants appeared reluctant to place their faith in such a body. Victor Dmitriev, a deputy in the Russian Federation's Parliament, explained how the old system continues to influence the attitudes of today's reformers: "You have a tradition in the West. You have put your faith in the law...In our society, we have always put our faith in and looked for the individual -- the one who can get us ahead, get us food, get us a job, get us into the university; the system works on the basis of who you know. These are distinctly different traditions. We are trying to emulate your traditions while being captive of our own."

Yaroslavsky explained the necessity of hiring a staff of experts to analyze the materials submitted by the mayor's office. There was considerable interest in how a legislature might attract a competent staff in order to render a credible check on the executive. However, the deputies were pessimistic regarding their ability to develop a competent cadre of bureaucrats trained to govern and manage, especially in the areas of finance and budgeting. The deputies'

lack of experience and expertise is further compounded by the continued presence of an uncooperative bureaucracy established under the old system.

With regard to defining the functions and responsibilities of city government, the local deputies expressed a desire to make their cities as nearly independent from central government control as possible. Following the privatization of industries and property and the creation of a tax base, many deputies envision the cities managing every sphere of the local economy: meat subsidies, public transportation, health services, etc. The workshop leaders cautioned against overburdening the municipal governments, pointing out that no city in the West possesses the financial and economic capacities to shoulder such broad responsibilities and fund them independently.

As an outgrowth of the debate on privatization, numerous questions arose about potential conflicts of interest. Participants were preoccupied with the pressing question of how to distribute heretofore public assets, inquiring about who would benefit from such ownership, and how best to minimize the dislocation arising from such transfers.

Jankowski described Poland's 10-month-old local government structures in his country, a product of recently enacted municipal reform legislation. He outlined the structure of the city council, in which the president need not be a deputy in the council; he can issue orders to his secretary, who manages daily affairs. The city manager is elected by the city council and is responsible for carrying out the budget.

Highlighting the particular problems of Bialystok, Jankowski suggested that even the 15 council members in the city were too many. Often, they are unable to raise a quorum or reach decisions. The city council, he said, has become merely "decorative." In fact, the city is run by the president and managers, that is, by the executive. This was not a democratic situation, he asserted, and he advised the local participants to scale down the size of city councils in order to achieve a greater degree of efficiency. Councils should have no more than 20 or 30 members in larger cities and proportionately fewer in the rural soviets. Another problem in Poland, he noted, was the inadequacy of ties between deputies and constituents.

Jankowski noted a third unresolved issue -- the jurisdictional competence of local governments. Today such competence depends largely upon the organizational capabilities of those running the cities, some of which are stronger than others. Most city councils, however, are ill-prepared to carry out the tasks that face them. In some cities, the city council oversees the fire service, while in others it still falls under the jurisdiction of the central government. Responsibility for transportation has been given to the cities. Still, the problem remains that each level of government is trying to expand its powers at the expense of others. Compounding the situation is a proliferation of new laws of which deputies may not even be aware. Parliament, he said, had passed more than 100 new laws in 1990, and the council cannot keep up with them.

Selected Questions and Answers:
(See also Appendix X.)

1. *Why is the model in which the mayor and city council are both independently elected more common among major cities in the United States than the parliamentary model? In our district, the government structure seems to be gravitating toward the second model.*

Volgy: There are two major reasons why the second model is less common. Traditionally, city council work has not been regarded as a full-time job. There is some resentment toward the idea of a full-time politician. People would rather have politicians who were not wedded to the idea of staying in office, thus leaving the day-to-day work to administrators. Second, concentrating both legislative and executive powers in the one body runs counter to the principle of checks and balances. We view this concentration of power as dangerous. If the same people make and implement policy, it is easy to lose a diversity of views.

Yaroslavsky: I agree with Volgy. The historical reasons cannot be underestimated. The separation of powers exists also at the national and state levels. In big cities, there is too much work not to divide it up and lessen the concentration of power. There is a high potential for corruption also.

2. *What are the requirements for becoming a deputy? Does it involve special training?*

Volgy: The requirements are few. The candidate must be 21 years old and have lived in the city for 3-5 years. The rest of the criteria is based on what the public wants. The responsibilities of the council members are outlined in the charter of the city.

3. *How are elections run? Are they party-based?*

Volgy: We have two kinds of elections at the city level. The first is an election in which the parties compete. Each party holds a primary two months before the election to determine their candidates. Other cities, however, such as Los Angeles, run elections for council members on a nonpartisan basis. In this case, anyone who has collected a certain number of signatures can have their name placed on the ballot. The system a city selects is the product of its own unique history.

4. *What is the relationship between the state and federal governments and the city government? Do you have structures below the city level?*

Volgy: Within the state, the mayors of all the major cities try to consult with one another to present a unified position to their federal representatives. It is very difficult to achieve a unified position. There is also the National League of Cities, which aims to lobby the federal government on urban issues. Our lobbying organizations maintain full-time representatives in Washington, D.C. In recent years, the federal government has neglected the cities, and we are now asking for more attention.

Yaroslavsky: There is no municipal structure below the city council in Los Angeles. We can't blame our shortcomings on anyone else. In California, if the state imposes a requirement on the cities that produces new costs, the state must theoretically reimburse the

cities. But in practice the state rarely gives us anything. A classic example is the construction of the Los Angeles metropolitan rapid transit system. The federal government promised to pay 88.5 percent, which was a great bargain for us, and the state would pay half of the remaining costs. While we worked out the plans, the Reagan Administration cut the federal budget for city transportation, and now the federal government will pay only 50 percent. But we have started excavation and we can't go back. There is constant friction between levels of government, but this is normal.

As for our contacts with other levels of government, Los Angeles has five full-time representatives in Washington. We also have three people in Sacramento, the California state capital.

Jankowski: For us, "local government" is the structure of government that functions independently of the national government. The city council reports only to the voters. If competency (jurisdiction) is defined, then power is also delimited accordingly.

5. *Do council members work full- or part-time?*

Yaroslavsky: Each city determines its own policy. In Los Angeles, all council members are full-time elected officials. This is standard for major cities. In smaller cities, council members usually hold other jobs.

6. *How often do councils meet?*

Yaroslavsky: In Los Angeles, the council meets three days a week. The Budget Committee meets every Tuesday.

7. *What is the size and composition of the staff?*

Yaroslavsky: I have a staff of 15. Of these, 13-14 work on my district's issues and 1-2 work on the budget. In addition, our Legislative Analysts Office performs research for the city council. This group of 20-30 analysts are divided into specialties and investigate topics and prepare motions for the council members. The equivalent of your Department of Finance also has a large research staff, but this bureaucracy works more closely with the mayor than with the city council. This department prepares the budget and monitors spending. The mayor has a staff of 90.

8. *Do you have dual subordination of agencies?*

Yaroslavsky: No.

9. *What are your salaries?*

Yaroslavsky: Each council member is budgeted \$700,000 to cover all expenses, including his or her salary. We are among the best paid council members in the country.

10. *There were many questions concerning the structure of the city councils in the United States. For instance, how many committees are there? What is the structure of commissions? What are considered to be the most important committees?*

Volgy: The Tucson city council has 13 committees, composed of three members each. We also have a whole host of commissions, such as the Citizen's Advisory Commission, the Women's Commission, and the Disabilities Commission. These commissions greatly facilitate governing the city.

Yaroslavsky: We have 15 committees of three members each, which means that each council member chairs a committee. Los Angeles has a very strong commission system. (He cited the example of the Police Commission.) The commissions evolved into powerful institutions as a result of a very corrupt government about 45 years ago. To correct the corruption, the city government created the commissions as a check on the city council and the Mayor.

Volgy: Our city has experienced the opposite extreme with commissions. Because of past abuses, we have greatly reduced the power of the commissions.

11. *There were several questions regarding the power hierarchy within the council. For instance, who chairs the council? Who sets the agenda? Who schedules sessions? Who appoints chairs?*

Volgy: I chair the city council; there is no speaker. As mayor, I work very closely with the committee chairs. Other cities have speakers. Committee chairs are very important. Because there is a lot of specialization, chairs quickly become authorities on their assigned areas. As for appointing the chairs, this procedure varies from city to city. Many speakers have the power to appoint chairs. They also have procedural powers, such as recognizing speakers.

Yaroslavsky: In Los Angeles, we have a council president. He or she appoints chairs, controls the agenda, and becomes the mayor in his/her absence. It is a position of tremendous power.

12. *Are tax services part of the executive? How do you forecast tax revenues? How do you set tax rates?*

Volgy: New tax rates are based on the baseline from previous year. This data helps in making the forecast. We also base forecasts on general economic conditions. We are careful not to increase taxes to a level where they hurt the local economy. We also build in contingencies. A 5 percent leeway is normal to avoid a deficit. During a recession, the government is often forced to make budget cuts. We started making budget adjustments half way through this year, reducing spending, laying off workers. As for collecting taxes, the state always asks if it can collect them for us and we always refuse.

Yaroslavsky: We forecast in the same way. The current recession forced us to impose a hiring freeze in January; however, we still have a deficit. We are required by law to balance

the budget. As for tax collection, if I impose a tax, then I should collect it. You wouldn't deposit your pay check in your neighbor's bank account. We do get a small return of state-collected taxes every year and there is always a battle over the amount. Now we are auditing the state's books.

Tax services are not considered part of the executive or legislative structures. They are part of the civil service, loyal to neither the executive or the legislative branches. These positions are not filled through political contacts but through examinations. The city clerk reports on potential tax revenues. We use private consultants as well. I always err on the side of pessimism when it comes to making forecasts.

13. *What kinds of revenues do cities have? What kinds of taxes?*

Yaroslavsky: We maintain a diverse tax base, a little tax on everything. No one source accounts for more than 22 percent of the budget. The next highest tax share is 15 percent. Now and then, all sources collapse. Last year, for instance, we were short \$177 million.

14. *Does the city government influence the market? For instance, can the municipality influence the price of goods?*

Yaroslavsky: This would be very unusual. It would only happen through a tax refund. We cannot interfere with most prices due to laws on interstate trade. The one exception is rent control.

Volgy: We control prices only where there is a monopoly. On the other hand, we can encourage competition to break up a natural monopoly. We also may subsidize the poor with respect to basic services and goods.

15. *Do you think it is wise to invest city money in business?*

Yaroslavsky: I can't really tell you if it's correct. We do give low interest loans to businesses that serve public purposes. We also have a community redevelopment agency. We invest pension funds. Of course, we also have an old, more stable private sector. You probably need to more actively encourage a good business climate.

16. *How are civil servants hired?*

Yaroslavsky: They are hired based on their qualifications. They take tests; those who score the highest, get the jobs.

17. *How does the veto work between the mayor and the council?*

Yaroslavsky: On the budget, the mayor has the right to a line-item veto (this gives the executive the authority to overrule one item in a bill or budget without vetoing the entire budget). He has five days to declare his veto. We then have five days to override the veto, an

action that requires a two-thirds majority of the council, which is very difficult to obtain. On laws, we have 90 days to override a veto. On other decisions, we have 60 days to override.

b. *Workshop 2: Budget Process, Information, Accounting*

Panelists: Elizabeth Reveal, former City Finance Director, Philadelphia, Pennsylvania; Hartmuth Wrocklage, Civil Service Head, Finance Department, Hamburg, Germany.

This workshop provided a general survey of municipal finance, focusing on the budget process and the means by which cities raise revenues. The issues raised included: 1) the respective responsibilities of federal and local governments in financing municipal programs; 2) the respective responsibilities of the executive and legislature during the budget process; 3) the oversight practices regarding the budget process; 4) the need to balance the budget and the ways to achieve this goal; and 5) the kinds of taxes that can be assessed and collected at the local level. The panelists also commented upon types of financial planning relevant to a mixed economy, limitations on municipal loan financing, the responsibility and functions of public enterprises, and municipal land use policy.

In her presentation, Reveal described common features of municipal financial management in the U.S. She emphasized that the boundaries between the public and private sector are well delineated. In general, she explained, the public sector is in the business of providing social goods (e.g., public safety, education, health care, etc.) and the regulation of private commerce and industry. At the local level, there is some duality of responsibilities (for example, public and private hospitals and schools).

In describing the budget process, Reveal mentioned that all U.S. cities are required by law to maintain a balanced budget. She then explained the role of the executive in initially preparing the budget and described some standard revenue sources, such as taxes, user fees, rents and fines and contributions from the state and federal governments (intergovernmental aid). Reveal pointed out that in Philadelphia, 80 percent of the city's revenues derive from local sources and 20 percent from intergovernmental assistance. Local taxes, however, are determined individually by the cities, without coordinating with the state or federal levels. Reveal considered this situation a particular weakness of the U.S. system.

Reveal explained that in the United States all tax revenues are pooled, and their allocation is the responsibility of elected officials and not subject to bureaucratic discretion. In addition to tax revenues, major U.S. cities rely on private capital markets to obtain short- and long-term financing. The cities encourage private investment in public needs by issuing tax-exempt bonds and notes. Reveal then listed some factors that make a city credit-worthy to private investors: stability and predictability of social, economic, legal, and political institutions; sensible borrowing practices; and full disclosure of the budget process and a standardized method of accounting.

Finally, Reveal stressed the importance of finding regional solutions to urban management problems. She explained that demographic changes in the United States have

concentrated the very poor in central cities, while the preponderance of wealth in major metropolitan areas is increasingly located in independently governed suburban and rural communities surrounding the cities. In order to more equitably distribute the cost of public services, a number of services, such as transportation and water and waste management, are now frequently provided on a regional basis.

Wrocklage drew on his experience with German unification, which he offered as a parallel example to the ongoing transition in the Soviet Union. He remarked that the East German system had reduced most functions of city government, such as the budget process, to superficial exercises that had little to do with reality. To illustrate his point, Wrocklage described a meeting between the finance ministers of Hamburg and Dresden, during which an exchange of budgets took place. Dresden's budget was a 12-page document, a rough sketch containing vaguely itemized expenditures, whereas the Hamburg budget comprised six large volumes totalling 2,000 pages. He was astonished to learn that while Hamburg borrows considerably to finance its activities, Dresden proclaimed itself virtually free of debt. It quickly became apparent that Dresden's budget was little more than a facade and did not allow for effective control of the city's finances.

Wrocklage urged his colleagues in the Soviet Union to revitalize the existing local bureaucracy by offering it incentives to take the initiative and cooperate with elected officials. In Dresden, he found that bureaucrats suffered from "abstract plan fulfillment syndrome," in which orders were carried out without questioning their purpose or usefulness. They could not imagine a budget process based on an open exchange of information among different branches of government, each of which sustained separate responsibilities.

Wrocklage described the budget and finance system in Hamburg, pointing out that, as a "city state," Hamburg, along with Bremen and Berlin, is both a city and one of Germany's 16 constituent states (*länder*). Theoretically, the *länder* manage their budgets without interference from the federal level. In practice, however, the federal government controls most of their revenue sources. Thus, the budgetary autonomy of the *länder* is mainly limited to expenditures, and even here, some important expenses are determined through federal legislation.

In Germany, Wrocklage explained, the finances of the different levels of government are much more closely coordinated than in, for example, the United States. This coordination is accomplished through regulations and joint consultations. In the Financial Planning Council, for instance, representatives of the federal, *länder*, and municipal governments meet to develop recommendation for future financial policy.

While the local participants asked many specific questions regarding the budget process and tax policy, it was clear from the discussion that they had no clear understanding of the components of a free market economy. They were vague about the basic separation of the private and public sectors. For example, several questions arose regarding the city government's role in running profit-making enterprises. Wrocklage explained that in order for a business to be publicly owned in Hamburg it must serve a public interest that cannot be better served by private industry. Reveal responded that U.S. cities have not traditionally run businesses

themselves; recently, however, some have experimented with this idea. The city of Philadelphia, for instance, now owns the water department and the airport.

Selected Questions and Answers:

1. *How do you establish the value of land in order to tax it?*

Wrocklage: The value of land should be established through the free market and not through any arbitrary determination.

Reveal: Property taxation should consider the value of both the land and any improvements to it. Many tax experts advocate imposing higher taxes on land and lower taxes on improvements, in order to encourage development. In determining property value, private property is normally valued based upon its highest and best economic use (given zoning limitations and weighted to reflect adjacent or comparable recent sales prices). Government property is normally valued based upon its historic cost.

2. *Are their limits on how much a city can borrow? Who determines such limits?*

Reveal: U.S. cities borrow from private capital markets for three purposes: short-term cashflow, public capital investment and economic development. State constitutions normally impose limits on such borrowing, as do local home-rule charters. Federal law provides certain regulation and limits on municipal debt -- in particular on its tax status and the extent to which it can be used to finance private ventures.

Wrocklage: In Germany it is a question of the constitution. On federal and state levels - and also in Hamburg -- we follow one basic rule: public borrowing should not exceed investment value. An exception may be made in order to preserve overall economic stability. But this is problematic because it is hard to reduce expenditures even when the economy has recovered. This system of public expenditures by credits has an essential precondition: a working free market in a mixed economy where there is an operating democratic constitution binding federation and states (*länder*). I think politicians in the Soviet Union should be encouraged to aim at such a democratic finance system or a similar one.

3. *How do you determine state versus city expenditures? What is the lowest level of autonomous budgeting? Are there any territorial divisions within government and if so, do they have the right to form their own budgets?*

Reveal: Philadelphia has a 300-year-old tradition of low taxation and limited state aid. In Pennsylvania, the state provides only 10 percent of the city's revenues, while, in Boston for example, more than 30 percent is derived from state sources.

The lowest level of autonomous budgeting in the United States is the municipality or township. Sub-city districts (the counterpart to raions) do not have independently elected governments or budget powers. Chief executives have the power to propose budgets but only legislative bodies have the power to approve or appropriate budgets.

Wrocklage: In Germany, the constitutions of the federation and the states (*länder*) determine the public jurisdictions. The basic rule is: public expenditures follow public tasks. In this framework, federation and states -- and within the *länder*, the municipalities and communities -- have their own autonomous budgets controlled by democratic institutions.

4. *Who sets taxes? Is there a limit on how high a tax can be set?*

Reveal: In the U.S. there is no formal coordination of federal, state and local tax policies. Typically states can limit the tax powers of subordinate jurisdictions (cities, counties, and townships), but the federal government cannot limit state tax powers.

Generally, within state limits, municipalities can set rates on allowable taxes as high as they wish. However, the trick is finding the best balance between setting high taxes and keeping the economy healthy. These trade-offs are matters of critical public policy.

Wrocklage: In Germany we have another system. The main jurisdiction of setting taxes is given by the federal constitution to the legislature of the federation (to the parliament -- Bundestag -- and the Federal Council -- Bundesrat -- where the states are represented). The *länder* only have power to legislate on local excise taxes imposed by the federal legislature.

On the other hand, there are special constitutional regulations for the distribution of taxes between the federation and the *länder*. The municipalities in particular are only authorized to assess the communal percentages of taxes on real property and business within the framework of existing laws.

5. *How do cities raise capital?*

Reveal: Cities borrow from the private capital markets for cashflow, capital construction, and economic development purposes. The public sector does not (except under unusual circumstances) involve itself in raising capital for private economic purposes. Corporations and businesses issue debt or sell stock to raise needed capital.

Wrocklage: Hamburg receives capital from the capital market. There are also some loans from the federal government, but only in very small amounts. As for the rest, we can only "raise capital" by privatization.

6. *Do your city authorities engage in economic activities?*

Wrocklage: Hamburg holds an interest in 42 companies such as those that supply water, gas, housing, etc. Further, there are public corporations that attract business to our region, i.e. banking and cargo handling. There are conditions for public ownership, however: the enterprise must serve a public interest that cannot be better served by private industry.

Reveal: It is not common for U.S. cities to own or directly engage in economic activity. Increasingly, however, experiments are underway in big cities with new public-private

partnerships and ventures where some equity is retained by the government. In addition, government has traditionally assumed a more direct role in utility (water, electricity, etc.) operations and regulation than in other commercial enterprises.

7. *How often do your interest rates change? Our tax policy has changed 3-4 times in the last year; this is a serious problem.*

Reveal: It is important to separate tax policy from fluctuations in interest rates and changes in other short-term economic indicators. Tax policy is under the cities' control. We cannot alter interest rates at will, since they are strictly a function of the market, which changes constantly.

Wrocklage: Interest rates are a function of the capital market in Germany, too. The public sector is able to influence the capital market only indirectly, for instance by reducing public credits if the interest rates are too high. Otherwise, the Federal Central bank has some direct options to reduce or increase the interest rates -- but only in order to stabilize the general economic equilibrium in a free market system.

8. *Why do you pool taxes? Does that not run counter to the purpose of taxation?*

Wrocklage: In the past, we had a system of separate funds, but we abolished it a long time ago because this system has the tendency to worsen expenditure behavior. The German law on Budgetary Principles for Federation and Lander therefore establishes the so-called Principle of General Coverage: all revenue shall serve as cover for all expenditures. This is the principle. The reason for it is that it gives the decision-makers a better framework to establish clear priorities in their expenditure policy.

9. *I am the only professional in finances in my city of 1.5 million people. Tell us about bonds and what resources you use besides taxes?*

Reveal: U.S. states and cities depend on private capital to raise dollars for infrastructure, including sewers, transportation, government buildings, publicly owned land and parks. Only states and local governments can issue debt. The federal government sells bonds to raise money at a national level. This practice is not linked with individual projects. There are three types of debt: 1) a General obligation bond -- repayment is based on principle that the first dollar in revenues that the city acquires is unconditionally pledged to pay the investor. Interest rates depend on the market, and the city's credit reputation. It is lower than the commercial rate, because income is tax free to the purchaser; 2) a Revenue bond -- repayment is directly tied to a single revenue source, i.e., water system bonds; and 3) Short-term debt for a year or less, which is used to ensure the liquidity or cash position of city and repaid with tax revenues when the tax is paid.

Wrocklage: As mentioned, in Hamburg, we follow one basic rule: on principle, public borrowing should not exceed investment value. There is only one important exception: where it is necessary to prevent a disturbance of the overall economic equilibrium. This exception is always problematic, however, because afterwards it is very difficult to reduce expenditures, even

when the economic aims will be reached. I do not believe that you can use this special strategy of an anti-cyclical finance policy in the Soviet Union at this time, without having established a working free market system. Possibilities for financing necessary expenditures in your country include taxes, fees and fines, credits for financing investments, and, last but not least, asset mobilization. In the actual situation in the Soviet Union, I would prefer asset mobilization and privatization instead of credits in order to establish a free market system and to save interest payments. In contrast to the federation and the *länder* (including the city states), German municipalities are never allowed to take credits for financing current expenditures -- not even in the case of a disturbance of the economic equilibrium.

c. Workshop 3: Budget Gaming

Panelists: George Carvalho, City Manager, Santa Clarita, California; Glenn Cowan, former Mayor, Lambertville, New Jersey.

This workshop offered an innovative format. Providing a high degree of interaction between the experts and the participants, the workshop was a "gaming session" structured almost entirely around small, group discussions. Carvalho and Cowan opened each session by outlining the chief responsibilities of city councils in the United States. They emphasized the council's central task of preparing the budget and stressed the importance of setting policy goals to be used for later comparison with actual accomplishments.

Following their remarks, the workshop leaders divided the participants into two small discussion groups of four to eight deputies. Each group then devised a plan for preparing a municipal budget. The discussion in each group was guided by the following four sets of questions:

1. *Who should determine budget priorities?* Sub-set questions included: Are these priorities strategic or tactical? Who should write the budget? Who should have input? Should the initial budget be numerical or conceptual? What types of goals and objectives should it contain? Who should have approval authority? Who should have oversight authority?

2. *What are the consequences of the budget?* Sub-set questions included: What types of political, social and economic consequences flow from any budget? How do you explain these trade-offs both administratively and politically? Who should bear the responsibility for budget decisions? Where does the information and analysis come from? What forum is used to explain it to constituents? Whom does it benefit/not benefit?

3. *What is a budget calendar and how should it be determined?* Sub-set questions included: What is the budget period? When do discussions of "next year's" budget begin? When should preliminary budgets be presented and to what bodies? What form should preliminary budgets take? How long should review bodies have to perform oversight functions? When is the budget passed and under what procedures? What happens if it is not passed on time?

4. *Should there be a professional budget staff?* Sub-set questions included: To whom should this staff report? Are they "merit" or political appointees? Are they full-time, part-time or consultants? Should third-party institutions provide the bulk of budget expertise? How should they be compensated? From what budget? Who should perform an audit function? Should there be programmatic as well as financial audits?

In answering these questions, the groups were not allowed to supersede the laws of the republic. Following the discussions, the two groups met once again to discuss the results of the exercise.

The debate on budget priorities inevitably raised issues regarding the division of powers and responsibilities between the executive and legislative branches. Although a range of possibilities was presented, most participants agreed that budgets should be initially drafted by the executive staff while final approval authority should rest with the legislature. Considerable disagreement arose over who should determine the initial priorities. The workshop leaders suggested that priorities should emanate from the legislature while the executive branch should take responsibility for writing and administering the budget. Similarly, Cowan and Carvalho suggested that legislative oversight of the budget process could be balanced by granting the executive an internal review.

The participants agreed that even those budgets designed only as priority-setting devices should be numerical documents rather than statements of budgetary intent. Similarly, they believed that the goals and objectives contained in the budget should be listed as financial inputs rather than programmatic outputs.

In discussing the consequences of the budget, Carvalho and Cowan tried to impress upon the participants the strategic aspects of budget policy (i.e., in promoting a specific public service over another). The deputies tended to view the budget as a traditional line-item document whose trade-offs were felt by government departments rather than by constituents. Secure in the knowledge that their constituents had no interest in budget matters, the deputies were largely unconcerned about the political consequences of the budget. The workshop leaders explained that democratic processes would foster a different perspective.

Considerable time was devoted to the budget calendar. The panelists recommended that the budget calendar encompass a process ranging from six months to a year. Most of the participants agreed on a 12-month calendar cycle, although some discussion ensued regarding the respective merits of fiscal and calendar years. The topic of a preliminary budget review process sparked debate over the size of the city councils and the complicated nature of the committee system. Participants generally agreed that, once the executive staff completes its initial draft, the budget should first be transmitted to the budget committee and then conveyed to the various other appropriate committees.

Questions relating to the characteristics of a professional budget staff once again moved the rivalry between the executive and legislative branches to the forefront of the discussion. Most participants agreed that the professional staff should be responsible to both branches.

Cowan and Carvalho suggested maintaining separate staffs, reiterating that while the executive staff would perform its own audits, the legislative staff would be able to conduct reviews independently. Many participants wondered aloud where cities would be able to find professional budget and financial experts in a country where such expertise is rare.

Noting that cities of the former Soviet Union budget for all aspects of life in their society, leading to substantial waste of expenditure and allocation of resources, Carvalho suggested that a strong cost control, accounting, and auditing capability might lead to substantial savings. In addition, he suggested that greater savings could be realized by adopting stronger oversight and management techniques such as zero-based budgeting and program budgeting. The concern over tax evasion was evident in this workshop, too, and the panelists noted that improved tax collection might significantly affect the budget.

d. Workshop 4: Revenue and Taxation

Panelists: Lynn Hampton, Chief Financial Officer, Metropolitan Washington Airports Authority, Alexandria, Virginia and former Finance Director of Arlington, Texas; Rita Hale, Head of Local Government Division, Chartered Institute for Public Finance and Accountancy, United Kingdom; Göran Långsved, Former Chief Financial Officer of City, Stockholm, Sweden.

This workshop reiterated that there is no "right" way to develop a tax system that will automatically ease the burden of policy makers charged with the responsibility of raising revenues. The panelists explained that while the amount of tax revenue should be based on the types and number of services provided by the government, taxation policy must be responsive to the needs and desires of the taxpayers.

The panelists discussed the political process involved in designing and implementing a tax system. They pointed out that the decisions surrounding the creation of a tax package are primarily political; and that voters may express their opinion on the tax system at each election. Since taxes have both social and economic implications, policy-makers need to minimize the negative economic effect and assure that the social consequences are understood and acceptable. As an example, the panelists described a situation where one community's decision to adopt a higher sales tax would drive purchases of major durable goods to a neighboring county that did not levy such a tax. Another example, a full exemption from property taxes for senior citizens, could lead to an increase in the size of the population dependent on government services, as senior citizens move into the community to take advantage of the new tax benefit.

The international panel outlined different revenue-raising and taxation strategies as well as various criteria on which a Western tax system is normally based. Some standard taxes were described. The subsequent discussion focused on the development and implementation of local tax systems, both in general terms and with specific reference to the situation in the Soviet Union, as well as the role of the public and private sectors in setting and implementing tax policy. Questions relating to privatization, especially of housing, and the creation of a tax base were also examined.

In discussing alternative revenue and taxation strategies, Långsved addressed the issues concerning the interaction between the private and public sectors, the determination of tax

authority among local, republic, and central governments, and methods of financing the public sector. He also provided example of local taxation policies in Sweden. On the fundamental question of ownership, Långsved suggested that in certain strategic areas (e.g., transportation and communications) the state could be the owner or exert a certain influence while, in a situation of functioning markets, the production of commodities and services should remain in private hands. Within the public sector, he recommended full opportunity for purchasing services and commodities from private producers (e.g., on a contractor basis) and advocated moving the general direction of activities within the public sector toward attaining the maximum possible decentralization of decision making and responsibilities.

The panel described criteria typically considered in structuring a tax system: *yield*, the concept of designing a system broad enough to raise adequate revenues; *equity*, which recognizes that taxes should minimize regressive characteristics; *neutrality*, holds that economic influences should be minimized in a tax system, *administrative ease*, based on the recognition that the overall tax-collection process should cost approximately 2 percent of total tax revenues; and *political feasibility*, which recognizes that no taxes are perfect, that there are negative consequences in all taxes, and that policy makers must recognize that revenues received from taxes are for the betterment of the city.

The workshop leaders then described the different types of taxes typically found in democratic governments, such as property, sales, income, value added, and tourist taxes, which include user fees, hotel occupancy taxes, and taxes on admission to cultural and sports events. Hampton noted that the property tax is the most popular form of local government revenue in the U.S and explained that it can be imposed on the value of real and personal property. The panelists also presented several concepts of taxation policy, such as vertical and horizontal equity and tax exemptions.

The participants were interested in learning about the types of local taxes that municipalities can levy and their strengths and weaknesses, local tax rates, the costs and methods of tax collection, enforcement and penalties for tax avoidance, local tax concessions to stimulate the economy, the purchasing power of the community and its ability to pay local taxes, the role of Western local authorities in fixing commodity prices, and the methods of valuation for taxation purposes.

The participants were particularly interested in the actual operation of a tax system. At the time, in the Soviet Union, taxes were collected by the union government. A certain percentage of the revenue was then passed to the city governments to fund services. The ratio of taxes recently changed to distribute a larger portion of the revenues to the city governments, but the participants lamented that the current revenues were insufficient to meet local needs. They expressed particular frustration with having to make decisions on expenditures without being able to determine how much revenue their cities would receive.

Hampton and Hale responded to questions about revenue-collection techniques by describing revenue collection methods employed in the West. Separate tax collection departments are common in the United States and Great Britain, where taxes are collected by

the government imposing the tax. Local governments collect a variety of taxes, including sales and hotel taxes, income and property taxes, as well as fines and fees. The participants were also interested in delinquent taxes. The panelists explained that local taxes enjoy a high degree of compliance (98 percent) without extended collection efforts, whereas delinquent collection activity includes judicial redress, garnishment of wages, and confiscation of property.

Långsved pointed out that taxes in Sweden are also collected by the national government, which in turn transfers revenues to the local authorities. However, contrary to the situation in the Soviet Union, the Swedish system is based on a high degree of trust among the various levels of government, as is also the case in Great Britain and the United States. It became apparent during the discussion that due to continuing mistrust of higher levels of government, the local authorities do not believe that they will receive a fair share of the tax revenues. Therefore, the panelists suggested that, as an interim measure, the local authorities could develop a tax inspection and collection department that would report to the city soviet responsible for local tax-collection activity to ensure that they received their share.

When the subject of revenue estimation was discussed, several participants expressed doubts about the trustworthiness of the administrative staff. The panelists explained that in democratic countries, administrative staff generally consists of appointed staff and civil servants. The appointed staff serves at the pleasure of the elected officials. The staff estimates revenues based on appraised values and/or economic conditions multiplied by tax rates set by the city council. (During the course of the seminars it became evident to the panelists that local authorities of the former Soviet Union sorely lack trained, nonpartisan administrators.) Added discussion focused on the budget control and review process, during which budgeted revenues and expenditures are compared to actual activity to assure compliance with the budget.

During one session, the panel was asked about strategies to develop local tax systems. The workshop leaders' answers centered on privatizing businesses and property and developing a system that would rely on leases tied to productivity and maintenance standards until ownership could be established. The lease payments would serve as a tax base until property taxes could be imposed. Income taxes would be similar to those currently imposed; however, prices and income would not be set by the government but by the free market, which should generate higher income and, therefore, higher taxes. Coupons (like food stamps) would be issued to lower-income individuals. Business owners would be reimbursed for the coupons by the government.

The participants asked a number of questions regarding the privatization of public housing. Hampton described condominium law in the United States, from local laws permitting condominiums to individual association rules governing the operations of the condominiums. She then presented examples of the grants available to developers to renovate buildings and compensate displaced tenants. The panel emphasized that the free market is more efficient at accomplishing condominium conversion because it is burdened with fewer priorities than a centrally planned economy and can direct its activities to the renovation and conversion efforts. The discussion later touched on the black market in the Soviet Union, which, to a degree, functions as an alternative economy.

Selected Questions and Answers:

1. *Is it true that politicians are not professional government administrators? Is there a conflict between politicians and administrators?*

Hampton: Generally politicians (elected officials) are not professional administrators, but are the policy-makers of the government. Professional administrators (staff) are the employees of a government who carry out the laws and policy of the elected officials. Some staff are directly appointed by the politicians, some staff are hired by the supervising appointed staff, and some staff are civil servants hired through competitive processes. The elected officials approve an annual budget that funds the laws and policy of the city council. Elected officials generally form a cooperative relationship with the staff of the government in order to get the work of the government done, but there is inherently some conflict. If a staff member is incompetent, it is possible to have the employee dismissed. Other than dismissal, negotiations and compromise between the council and staff allow for the work of the government to proceed. Since the council has the power to approve the budget, there is a strong incentive for staff to provide accurate and timely work for the council.

2. *Who is the arbitrator of conflicts between politicians and administrators?*

Hampton: The most senior level appointed staff member (chief of staff, city manager, etc.) generally is the arbitrator of problems between elected officials and staff. The most senior level staff member is our appointed official.

3. *If property has not been sold for awhile, how do you know what the value of this property will be?*

Hale: The value of property is determined by comparing its characteristics with the characteristics of similar property. If a property owner objects to the value assigned to property, the property owner can appeal the assessment to an arbitrator, whose decision is final.

4. *In the Soviet Union there are federal, republic and local expenses. How can conflicts among these levels be avoided?*

Hampton: The governments should determine the size and scope of government services provided by each level of government. For example, a central bank would be a federal government function, while garbage collection would be a local function. Some local governments provide garbage collection twice weekly, some only once per week. The city council makes a decision based on how much the council wants to spend for garbage collection.

5. *People are not used to paying taxes. How are taxes collected in your country?*

Hampton: In the U.S., each level of government imposes and collects its own taxes; there is no single tax collecting unit. For example, sales taxes are collected at the state level; the state will keep its portion of the tax and distribute a portion to the cities and counties.

Property taxes are generally collected by the cities that impose the tax. Income taxes are paid voluntarily to the federal government, with individuals and business filing an income tax form once a year. The actual taxes are collected and paid to the federal government by employers, and the tax form is a reconciliation of income and exemption to determine the tax liability. Any overpayment by an individual or business to the government will be refunded to the taxpayer. Any shortfall in taxes will be filed with the return.

Långsved: In Sweden, there is a single tax collection unit. Citizens pay a certain percentage of their income each month, and the central taxing body distributes tax revenues to all levels of government.

6. *What is the relationship between local council members and the population?*

Hale: There is no simple formula. The number of members on the council depends on what the citizens determine is enough representation balanced with what they want to pay in taxes for salaries of council members.

7. *Is the tax system devised by experts?*

Hale: The tax system is drafted by staff based on the policies established by elected officials. The system is based on tax needs and the demographic characteristics of the city. The public should have an opportunity to comment to the elected officials at public hearings before the tax is decided upon by the council.

8. *What types of municipal fees are there?*

Långsved: Whenever it is possible to isolate and identify the cost of a government service, it can be useful to charge a fee. Some governments charge fees for garbage collection, public swimming pools, permits to construct or remodel property and landing rights at airports. This process allows the tax (or fee) to be collected directly from the user of the service, not the public at large.

9. *Is it confusing for taxpayers to have to comply with so many different taxes and fees, and to have to deal with various levels of government?*

Hale and Hampton: It may be confusing for a first-time taxpayer to pay local, state, and federal taxes, but it has become a tradition. In fact, it is advantageous that the citizen knows how much he or she is paying each level of government. This becomes an important aspect of decentralization, a cornerstone of democratic government.

10. *How do you estimate tax revenues?*

Långsved: Taxes are estimated through an economic analysis, which includes the following factors: the amount of tax that collected during the previous years, any changes to the tax rates, and demographic characteristics of the tax. As taxes are collected, the amount should

be compared to the estimated taxes. Any adjustments to the estimate of actual taxes collected should be reported to the council.

11. *What factors are included in the concept of property?*

Hampton: Property is either real or personal. Real property consists of land and buildings. Personal property represents items belonging to an individual or business, such as a car or a hotel. Ownership could be demonstrated through the sale or lease of the property.

12. *If a house costs 100,000 pounds what is the tax?*

Hale: Now in the United Kingdom, an average house costs 80,000 pounds, and the tax is 400 pounds. Some city councils have imposed higher or lower property tax rates depending on the level of spending the government chooses to support. Many governments allow special exemptions from property taxes to lower the tax burden on senior citizens, handicapped individuals or other specific groups of taxpayers.

13. *What is the period of an effective tax rate? Can the rate change over a year?*

Långsved: Taxes are estimated annually when the budget is adopted. If the taxes are not sufficient to support the necessary government services, they must be raised, or government services must be cut in order for the budget to be brought into balance. Rates are generally raised when the government grows faster than the property value of a city, and lowered when the property value grows faster than the government. In Sweden, the local government has the opportunity to change the income tax rate annually. Local authorities in the United Kingdom can make changes to the tax rate at the beginning of each year.

14. *Who collects taxes? If it is collected centrally, then what are the costs for the tax collection service?*

Hale: A tax collection department is responsible for the collection of taxes. Delinquent taxes are collected through legal and court procedures. The cost of the tax collection function is part of the cost of government and is incorporated into the budget of the city. An efficient tax collection activity should cost 1 to 2 percent of the total tax. For social purposes, a government might want to impose taxes on alcohol and tobacco, which entails a higher collection fee.

15. *The Mossoviet has certain problems regarding public transportation fees; what criteria are used for deciding how to set this rate?*

Hampton: There are no strict criteria on how much of the cost of public transportation should derive from fares, and how much should come from taxes or subsidies. In the United States the fares for public ground transportation are generally low and the subsidies from general government taxes, high. This situation stems from the belief that the whole community benefits from the provision of low cost public transportation, in order to get people to work and to limit

automobile pollution. Air transportation is a private business and the fares are set by market demand.

16. *Who has the authority to set commodity prices in the regions?*

Hale: Local authorities do not set prices. Prices are set by the private sector because of competition, supply and demand. In some cases, the government might subsidize a commodity to assist in keeping the prices low. Milk products were an example of a subsidized commodity. In general, democratic governments are moving away from subsidies and allowing prices to be market driven. Many public utilities such as electric companies and telephone companies are regulated by the government. The rates based upon a determination of the total expense of the utility including a fair return for the owners of the utility, and the expected usage of the utility.

17. *Our taxes are not based on assessed value. You have some taxes that we don't have like hotel occupancy taxes. Also, it is good that your taxes don't overlap, but we don't have this. Ours are directed by the central government.*

Hampton: User fees such as hotel taxes, are paid by the user to the business, in this case, the hotel. The hotel turns the taxes over to the government. Garbage collection fees can be collected with a water bill, because each household receives both services; water charges would be metered and garbage collection established by a set fee.

18. *Why does every citizen have to pay this tax to a private company? Why not just tax the company?*

Hampton: Companies prefer to explain to their customers that some part of the cost of the service for which they are paying is a government tax, and not entirely the cost of the business. A hotel occupancy tax falls into this category. Companies are also taxed based on the income and property value of the business.

19. *What fines do you have for tax evasion? Do you give tax collectors a reward to encourage them to find evaders?*

Hale: Often taxes are deducted from paychecks and paid by employers to the government, or included with house mortgage payments and paid by the bank to the government. These procedures help avoid tax evasion. Tax collection departments do not receive incentive pay to collect taxes; this is their job. Of course, tax collectors that perform well could get promotions and annual salary increases.

20. *How often do you collect taxes? Is there any relation between budget spending and the process of tax collection?*

Hampton: Property taxes are appraised, then collected at one time during following year; sales taxes generally are collected monthly; employers collect income taxes by deducting them

from paychecks and paying them to the government at the time of each payroll. There is no general rule about what time of year property taxes are collected. When property taxes are collected, they are invested and drawn upon to pay expenses throughout the budget year.

21. *What happens to someone who doesn't pay taxes?*

Hale: In the case of total evasion, it is possible for the government to seize the property of the delinquent taxpayer and sell it in order to collect the taxes owed. Any money left over from the sale after the payment of taxes would be returned to the former property owner. Since people do not want to lose their property, most property taxes are paid before the property is taken. In the United States, it is a criminal offense not to file income taxes, but a civil offense not to pay. Arrangements can be made by a taxpayer with the government to pay back taxes over an extended period of time, with interest.

22. *Do you pay taxes in cash?*

Hampton: Most large tax bills are paid by check or drafts on banks, but taxpayers could pay their taxes in cash if they so desired.

e. Workshop 5: Property and Privatization

Panelists: Professor Marshall Goldman, Wellesley College, Massachusetts; Marco Swart, City Councilor, Enschede, Netherlands; Dr. Czeslawa Rudzka-Lorentz, Advisor to the Undersecretary of State for Local Government Reform, Warsaw, Poland.

The panelists in this workshop addressed the topics of privatization, property and taxation. Swart provided a case study of the privatization of a utility company fully-owned by the government in the Netherlands. Before beginning, Swart emphasized that many different combinations of public-private ownership exist in the West and that city soviets would have to find their own balance.

Swart explained that five issues must be addressed in any privatization effort: the role of the management, the role of the workers, the legal status of the property, political control, and the relative importance of any the company revenues in the city budget. At the turn of the 20th century, Swart's city analyzed the productivity of the state-owned electric company and concluded that it was inefficient. At that time, the role of management was limited -- the city issued orders and the managers followed them. They were civil servants whose jobs were not dependent on the success of the company. The workers, too, lacked incentives, working for the state for reliable, protected salaries. The electric company was defined as belonging to the municipality. Its income and outlays were included in the city budget. Exercising political control was simple: the city controlled the company.

As a first step toward improving performance at the electric company, the management was given greater autonomy. The city decided to issue only general guidelines to the company rather than day-to-day instructions, allowing the managers to do their own problem-solving.

Discussions and negotiations were held with the management instead. The status of the workers and ownership remained unchanged. The budget was affected since the firm was permitted its own accounting system. Only the final results -- profits or losses -- appeared in the city budget. The political situation changed in that the city government no longer directly controlled the company's operations. Legally, the company's charter was a council plan, but it looked more like a private contract.

The next step, taken some 10-15 years later, designated the company an independent "city enterprise." The management was still under the jurisdiction of the council, but workers were not; workers could earn more money or lose their jobs, depending on their performance. The legal ownership changed in form but not in substance. All the shares issued by the company belonged to the city.

These shares were later sold to private individuals, marking a major change in the legal ownership of the property. The shares were purchased by a larger electric company, although Swart pointed out that they could also have been sold to the workers or to other organizations such as pension funds. It was possible now for the city to ask for a good price for the shares since the city could show through its separate bookkeeping that the electric company was making a profit, and it was known that demand for the product would be continuous. No changes were made regarding management or workers. The budget remained unchanged, except for the appearance of a windfall profit from the sale. Rather than spend the money immediately, the city decided to invest it. These future earnings would replace the profit from the electric company. The city decided to invest the money rather than spend it because spending it would have created expectations on the part of the populace that would have been impossible to meet again. Investing the money provided stable returns and made city budgeting easier.

Finally, the political relationship between the city and the company changed dramatically. The city no longer directly controlled the company. Still, in place of control through ownership, the city adopted a series of laws that regulated the company's actions, including, most importantly, a decree that made it illegal to cut off anyone's electricity during the winter -- even if they had not paid their bills. According to Swart, an economy needs some regulation in order to prevent social injustices.

This particular privatization process occurred over a 100-year period. Swart discussed ways to speed up the process and also raised the question of the limits of privatization. He presented the arguments both for and against wholesale and limited privatization. In support of wholesale privatization were the following factors: 1) Ideology -- privatization spreads control of resources among a larger social group, dispersing and dividing power; 2) Macro-economic - - if you create strong firms, they will stimulate the economy and enhance tax revenues; 3) Micro-economic -- private companies are usually more efficient due to the motivation provided by profit; and 4) Government control -- if a government owns all kinds of organizations, then it becomes difficult to control them all. In theory, the government is powerful, but in practice it becomes weak due to lack of complete information. In such a situation, civil servants end up making all of the decisions.

Arguments for limiting privatization include: 1) The market does not work well on its own. (For instance, in the case presented, the electric company remained in a monopolistic position.) A market needs national regulations to encourage or ensure competition; 2) The problem of providing common service, known as public goods. For example, everyone benefits from street lighting, but one cannot divide it and sell it. Still, the city does not have to control it entirely. Even this service can be contracted out; and 3) The market alone cannot create social justice.

The panelist from Poland, Rudzka-Lorentz, elaborated on the difficulties of privatization in her country, noting that in formerly socialist countries these problems were much more complex than in capitalist countries, as new democratic governments have to deal not only with the change in ownership, but a change in property relations as a whole.

Rudzka-Lorentz explained that privatization in Poland generally followed a three-step process. First, shares are created at a given enterprise in which the state owns all of the shares. Second, a certain, non-controlling number of shares are sold on the market. Finally, the state relinquishes its controlling interest in the company, and new owners are allowed to accumulate capital and stocks.

Rudzka-Lorentz then described the intricacies of this three-step process, highlighting some basic principles that may make the transition easier. First, the city council must attempt to "communalize" property, i.e., give back to the community that which was nationalized after World War II. Second, local government bodies should try to gain control of assets before higher authorities begin to assert their control. Local city councils can also unite to manage property assets in common among them. Third, the city council can set up profit oriented entities such as small scale enterprises or recreation organizations, a situation that does not always work because of the likelihood that unethical practices might arise. Rudzka-Lorentz suggested that such government involvement in market activities may be excused in the transition, but should be phased out over the long run.

Fourth, privatization must start with a register of assets. However obvious, this step can be among the most difficult. (The communists deliberately avoided documenting ownership of property.) Fifth, some controls must be placed over the privatization process to insure basic social guarantees. Rudzka-Lorentz offered the example of privatizing poor-quality apartments: if these assets are sold off without government regulation, people who live in poor housing will not have the capital to repair their dwellings. Rudzka-Lorentz suggested that, in such instances, some form of rent control, accompanied by a set of incentives for encouraging repairs, was necessary. She provided the example of Poland's new tax structure whereby apartments are taxed at dramatically lower rates than land and dwellings used for business purposes.

In conjunction with housing privatization, Rudzka-Lorentz noted that Poland now faces a problem in reprivatization, i.e., returning certain businesses and property back to their former owners. Once this process is initiated, multiple claims of ownership immediately arise. She also raised the question of deciding which enterprises should be privatized and which should not, citing schools as one currently contentious issue in Poland. Finally, Rudzka-Lorentz suggested that auctions were an effective way of inaugurating the privatization process. If people want to

buy the apartment in which they already live, then the process is easier. This inherent demand creates a property market.

Rudzka-Lorentz noted that the ease of the transition depends in large part on the political climate created by the councils. Conflicts inevitably arise because the state wants to privatize without communal ownership. The question of who receives the income from the sale of assets immediately politicizes the privatization process. Reflecting on Swart's stages of privatization, Rudzka-Lorentz explained that Poland is currently making decisions regarding the selection and timing of privatizing industries. She noted that it has been easier to privatize smaller firms than larger ones. Rudzka-Lorentz also pointed out that the creation of long-term interests for those who buy the initial shares that were issued is a difficult process. In Poland, workers are buying the shares but then liquidating assets quickly for short-term profits. The new Polish government is faced with changing the mentality of the worker regarding shares and profit making.

Goldman rounded out this seminar by presenting a synopsis of the relationship between taxes and market stimulation. He outlined the basic divisions of power in the United States for dealing with tax questions. For example, the legislature decides on new taxes, but the president has the right veto its decisions. Goldman viewed Gorbachev's recent decision to impose a 5 percent tax on all items as a violation of the principle of the separation of powers. Regarding different levels of government, Goldman noted that the federal government collects most income taxes, the states collect sales taxes, and local governments levy property taxes. At all levels of government, revenue sharing exists.

In response to questions, Goldman discussed the problems involved in placing a value on land as a first step toward privatization. He offered three different methods: 1) market price; 2) cost of reproduction; and 3) comparative value. An additional mechanism should be put in place that allows prices and rents to move, but at a rate that does not allow businesspeople with large amounts of capital to buy out everything and stifle competition. Rents should be renewed every five years with a neutral arbitration body to determine their fairness. The imposing of real-estate taxes would also make people use the land rationally. Goldman cited the example of the Homestead Act in the United States at the turn of the century, whereby the government ceded ownership rights to people who used the land. He noted that a similar incentive structure is being implemented in U.S. urban centers.

Goldman then explained that determining the relationship between the profitability of a property in relation to interest rates is a method for establishing a fair price. For instance, if the capitalizing income of a given property (i.e., the yearly profit) is \$50,000, and the annual interest rate is 10 percent, an estimated fair price is \$500,000. This is calculated by multiplying the profit by the interest rate.

Selected Questions and Answers:

1. *The most confusing issue for the local participants concerned ascertaining the difference between private and public. When, for instance, was the electric company considered private during the many stages of its privatization? How are the contracts between public and private institutions different than contracts between two private parties?*

Swart: Under the law, there is no difference between public-private contracts and private-private contracts. It is also important to realize that if another electric company had come along and offered electricity to the city at a cheaper rate, the city would have pursued this new partner.

2. *One question that frequently arose in the discussion pertained to Swart's remarks about social guarantees and government regulation of the market after privatization. For instance, the participants could not understand how the city could issue a law preventing the electric company from turning off the heat if people did not pay.*

Swart: Because it is the law they are obligated to obey. In Holland there is a high sense of social justice.

Rudzka-Lorentz: In Poland, the government had to pass a law obligating banks to provide services to individual customers as the market did not provide this service.

3. *How are apartments being privatized in Poland? Who determines the price? Are they being given away?*

Rudzka-Lorentz: The prices vary. Poland has established a special bureaucracy that is in charge of setting prices for apartments. However, this bureaucracy will gradually be phased out.

4. *Which government body should be in charge of privatization, the executive or the legislature? How do you control the process?*

Goldman: Let the executive do it, but under guidelines set by the legislature. Be careful about favoritism and conflicts of interest. As for control, the city needs to establish a blue ribbon commission to oversee the process.

Rudzka-Lorentz: In Poland, we have to call a council meeting to vote on every sale over 100 million *złoty*s of land. This was a bad law because it overly politicized the process as well as added an additional step to the privatization process.

5. *What privatization mechanisms are the most effective?*

Goldman: Most valuable property should be sold at public auctions with public results, although you can use secret bids.

Rudzka-Lorentz: Before the auction, the council must decide what to sell.

6. *Many questions evolved around the problem of determining a value for land. One Mossoviet deputy asked about using the prices of luxury hotels as a basis for determining value.*

Goldman: You can start with this: begin with the best location and the highest price, and then make determinations from there. First of all, you need to take an inventory of the property. McDonald's, for instance, wants to expand but the city can't find land records.

7. *In Poland, is privatization the general plan?*

Rudzka-Lorentz: Yes, but it is subject to change. We are starting by selling shares in the most profitable businesses.

8. *Beside the electric company, what other kinds of enterprises are being privatized in the West, and do they all take 100 years to privatize?*

Swart: I chose this example just to be able to present the different changes in detail. However, we are privatizing many firms, including the accounting department that audits our budget.

9. *Do you have the reverse problem whereby the state has trouble taking over a property?*

Goldman: In the United States, the state has eminent domain whereby the owner is compensated for land seized by the state.

Swart: In our city, a textile factory went bankrupt so the state took it over. We wanted to control the use of the land so we held onto the property until we found a different owner. We made a profit on the transaction.

10. *What about the privatization of (former) Communist Party property? Should we fight this or support it? Right now the Party is privatizing assets bought by money raised through Party dues? Is this fair?*

Goldman: It is important that in the process of privatization, a few people do not become rich while the others suffer.

11. *There were several questions, raised by Swart's presentation, about the timing of privatization.*

Goldman: I'd start the process right away. But be warned that they'll be a correction in price by arbitration will occur after several years when the real prices are known. But get going. You must increase supply.

Swart: The process and framework of privatization will develop together. You should try to do the easy things first.

C. Local Government Consultations

i. Moscow and St. Petersburg: October, 1991

NDI's local government seminars in Moscow and St. Petersburg led to several requests for further, more specialized training in local government and finance issues. In response to these requests, NDI sent Zev Yaroslavsky, chairman of the Los Angeles City Council's Budget and Finance Committee, to Russia to conduct the first in a series of intensive local government consultations. From October 5-18, Yaroslavsky conducted training sessions with the Budget and Finance Committees of the St. Petersburg and Moscow City Soviets, and the Russian Parliament's Committee on the Work of the Soviets and the Development of Self-Government. The consultations focused on the issues of governing in a system of checks and balances, budgeting in a government with separate branches and powers and the structure of intergovernmental relations among state, regional, and municipal governments. The two-day consultation was conducted in cooperation with the Union of Russian Cities. Approximately 20 budget and finance officers selected by the Union came to Moscow from Stavropol, Chelyabinsk, Rostov-on-Don, and Slavyansk for the sessions. (See Appendix XI-A.)

As a result of this consultation, the Los Angeles City Council and NDI sponsored a visit to Los Angeles by four Mossoviet members. The delegation met with the city administrative officers, the county transportation commission, budget analysts from the fire department, the mayor's office, the city council budget and finance committee, the police department, the city personnel department, the city department of transportation, and the Southern California Association of Governments.

ii. Samara: December 1991

From December 8-13, NDI, in conjunction with the Union of Russian Cities, conducted its second local government consultation. Glenn Cowan, an NDI advisor, and Stewart Palilonis, a housing specialist for the state of New Jersey, travelled to Samara, a military-industrial city on the Volga river. In Samara, they conducted training programs for 200 deputies from the Samara oblast, city, and raion soviets. The consultations focused on issues such as privatization of local housing and commerce, local tax policy, and budget and finance administration.

The trainers answered many questions on the basic structure of local government under a system of legislative, executive, and judicial separation of powers. Deputies were most interested in the budget process and budget development, as they lacked even basic knowledge on how to prepare the income and expenditure sides of the budget.

Other sessions centered around the issue of housing. Deputies complained that most existing housing is in poor condition due to lack of maintenance and tenants having little interest in owning housing. They stated that rents were 25 rubles per month and would have to increase seven-fold before owners could afford to maintain their units. Deputies inquired about how a system combining ownership and tenancy in the same building could function. In response, the trainers outlined the concepts of the cooperative form of ownership.

iii. Kiev and Donetsk, Ukraine: March 1992

During his trip to Moscow and St. Petersburg in the fall of 1991, Council member Yaroslavsky traveled to Kiev for one day of intensive discussions with members of the Kiev Budget and Finance Committee who had attended NDI's municipal seminars. The Ukrainian officials requested that NDI expand its municipal program to Ukraine.

In response to these requests, NDI sent Council member Yaroslavsky and Don Benninghoven, executive director of the League of California Cities, to Ukraine for 10 days of intensive training with local government officials.

Working in cooperation with the Association of Democratic Councils of Ukraine, which includes 30 member cities, Benninghoven traveled to Donetsk, an industrial center of 1.5 million people, where he led a series of workshops for 35 elected officials and administrators from raion, city, and oblast councils. Workshop sessions dealt with the division of powers between local and national governments, executive-legislative relations, and constituent services.

Following the Donetsk program, Benninghoven worked with city council members from Kiev and neighboring cities, as well as with representatives of the Association of Democratic Councils. He discussed local self-government issues and the structure and function of municipal leagues, emphasizing the importance of maintaining constant communication among cities.

While Benninghoven advised elected officials, Councilman Yaroslavsky conducted a series of training sessions for 20 key administrators from Kiev and cities in Western Ukraine and the Crimea. The sessions addressed the budget process, taxation policies, privatization and executive-legislative relations. Yaroslavsky also held meetings with leaders and organizers of Ukrainian political parties and movements to discuss the feasibility and design of an NDI-sponsored program to strengthen the country's nascent multiparty system.

The consultations were received with great enthusiasm. Local officials found extremely beneficial the local budget and finance documents that were translated into Russian by NDI and distributed to all participants. An important component of the success of the initiative was the proper match between the expertise of the trainers and composition of the participants of each consultation. (see Appendix XI-B)

D. Related Projects

Because of its experience with local governments in the Soviet Union, NDI has become an informal source of information exchange, assisting municipal officials in the former Soviet Union with training and consultations, as well as connecting U.S. and European local government groups to their counterparts in the former Soviet Union.

On March 22, 1991, NDI convened a meeting of local government organizations from the Washington, D.C. area that are operating local government exchanges or other programs with the former Soviet Union or Eastern Europe. Representatives from Sister Cities International, the International City Management Association, the Government Finance Officers

Association, the National League of Cities, the U.S. Conference of Mayors, the International Development Training Institute, the Academy of State and Local Government, Loudon County, Virginia, and Upper Marlboro County, Maryland, participated in the meeting. The meeting provided an unprecedented opportunity for local government organizations to share experiences in the former Soviet Union and Eastern Europe, discuss the various approaches taken and plan collaborative or informative efforts in the future.

The experiences and expertise of the participants helped NDI to formulate its May 1991 seminar agenda, choose relevant materials for translation, and select its international local government trainers. The meeting triggered a healthy dialogue among the local government groups in attendance, which as a result, are informing one another on their respective plans and aspirations and sharing pertinent information and materials.

Through such meetings and discussions, as well as its seminars, NDI has developed a network of contacts among municipal organizations in the United States and Europe. These contacts have enabled NDI to keep abreast of local government reform and issues throughout the world, and has also provided NDI with an extensive base from which to find experts with specific qualifications for further local government training in the former Soviet Union and elsewhere.

NDI's December seminar led to the establishment of the Union of Russian Cities, chaired by Valery Riumyn, mayor of Ryazan. The organization is a clearinghouse for cities throughout the Russian Federation struggling to build the infrastructure of democracy. (See Appendix XII) NDI sent information regarding this new association to U.S. counterparts, encouraging dialogue and cooperation. In October 1991 NDI transmitted letters to the Union of Russian Cities offering cooperation from the National League of Cities, Government Finance Officers Association, and the Conference of Mayors.

NDI offers an orientation session for Soviet municipal government officials visiting the United States. The first session of this kind took place on June 6, 1991. Sister Cities International hosted a group of 11 city soviet deputies from the Soviet Union visiting the United States to examine various aspects of local government. The deputies arrived from the cities of Novosibirsk, Sverdlovsk, Vladimir, and Tver.

NDI Executive Vice President Kenneth Wollack opened the session with an overview of the history of local government in the United States. Soviet Union Program Manager Mahnaz Ispahani then described NDI's local government program in the Soviet Union, summarizing past programs and outlining their goals, objectives and future direction. Two international participants from the May seminar, Glenn Cowan former Mayor of Lambertville, New Jersey, and Lynn Hampton, Chief Financial Officer of the Washington Metropolitan Airports Authority, compared relevant aspects of municipal government in the United States and the Soviet Union.

NDI provides a similar briefing session for municipal groups or individuals who are traveling to the former Soviet Union. As an example, a representative from Loudon County visited NDI before going to Poland to train municipal leaders. In addition, several governors have been briefed before undertaking missions to the former Soviet Union as well.

NDI continues to provide information and advice to U.S.-based organizations and individuals seeking to furnish technical training assistance to former Soviet Union municipalities.

VI. CONCLUSIONS AND RECOMMENDATIONS FOR TECHNICAL ASSISTANCE

A. Evaluation

i. December 1990

"Now there is no law, only anarchy", said one Russian deputy who attended the NDI seminars on local government reform. In response, NDI's international trainers impressed upon the local deputies the need to share their knowledge and experiences with other colleagues. Since cities throughout the republics share many similar problems and concerns, the workshop leaders recommended the establishment of a domestic network of cooperation. Shortly after the December seminar, the Union of Russian Cities was founded, which encompasses all cities in the Russian Federation with populations of more than 80,000 people.

The establishment of the Union of Russian Cities is one concrete result of NDI's program, which has sought to promote communication and cooperation among the various groups within the democratic reform movement and to involve the different levels of the former Soviet government in the process of building democratic institutions. Many participants reported that they had returned to their cities and disseminated the ideas learned at the workshops to their fellow deputies. In the words of a deputy from Kaluga, who also attended NDI's May 1991 seminar, "the December seminar led us to focus our ideas on municipal reforms that have now been approved by our soviet."

The seminar also assisted the Russian Parliament's Committee on the Work of the Soviets and Development of Self-Government in drafting a local government reform act. Many of the concepts explored at the seminar were later incorporated in the development of this law.

By having assigned to them both European and U.S. experts, the NDI seminars exposed the participants to a wide variety of international local government experiences and models. The experts impressed upon the participants their responsibility to eventually select a system that best satisfies their particular needs. As one local rapporteur phrased it: "We have become aware that there can be no single approach to municipal problems. Western Europeans have a different approach than Americans. The goals are the same but the approaches can be different."

ii. May 1991

The December seminar led to requests for a series of technical training seminars on municipal budgeting and finance for deputies, as well as for the translation of documents on the operation of municipal government in democratic societies.

The May training seminars entitled "Democratic Government and Municipal Finance" were held in response to these requests for assistance. During a period when the democratic local deputies were increasingly under attack for their inexperience and inability to manage their municipalities, the NDI seminars were timely in promoting a practical understanding of democratic governance and city management.

The May seminars furthered NDI's goals of increasing communication among democratic deputies from different cities as well among the various levels of government in the former Soviet Union and introducing relevant U.S. and European experiences of local democracy and local government management. One international trainer noted that these democratic ideas and principles "provide models for a free political and social order. They present the local participants with a yardstick for their own future autonomous actions."

The NDI training seminars also acquainted the deputies with directors and former presidents of major U.S. municipal organizations such as the Conference of Mayors, the National League of Cities, and the Government Finance Officers Association. Ongoing contacts between these groups and municipal leaders of the former Soviet Union have been established. As an example, NDI facilitated an international exchange of teams and technical expertise between the Washington Metropolitan Airports Authority and its Moscow counterparts. Representatives from the WMAA and the Mossoviet have now met on three occasions to discuss mutually beneficial cooperation.

The experiences of democratic local governments presented by NDI's trainers demonstrated to the local deputies the importance of gathering and understanding information on both management and budgeting procedures. For example, many deputies stated during the seminar that they had no prior sense that they should determine the amount of revenue available to their cities and the modes of its disbursement, that they had no idea of how to plan a budget, and that they had no concrete strategies for questioning city administrators about the contents of a budget. The rapporteurs said that as a result of the workshops, they had concluded that: 1) "all the documents prepared by the Mossoviet must be made accessible; information should be available to all, not just to a select few;" 2) "there is a need for qualified professional staff to assist the deputies;" and 3) "there is need for regional planning."

One participant stated that the May seminar had "encouraged municipal leaders to take charge and influence the draft law on municipal reform that is now being considered at the republic level." In evaluating the workshops, most participants said that they found particularly useful those presentations covering the methodology for preparing a budget and those providing concrete narratives about specific privatization initiatives (such as one expert's description of the privatization of a Dutch utility company). NDI's local government trainers from Poland were appreciated for their first-hand knowledge and expertise in making the transition to a market economy and for their municipal perspective on privatization. Virtually all of the participants recommended the workshop on the separation of powers and the structure of democratic local governments and requested further work in this area.

The chairman of Moscow's Budget and Finance Commission informed NDI that the May seminar was "useful, and I can tell you, that we have first results of knowledge that we received. Just now we present our new document 'Rules of Compiling and Accepting the Budget in Moscow.'" This document is "only the first but very important step in establishing a system of balance between the city soviet and the mayor of Moscow. The second document, which will be accepted in September, is about establishing and monitoring the activity of Control Chamber. Information which we received in seminar last May, we used in this work, and I think you really may be proud of it." In the wake of the seminar, NDI has received numerous

requests for U.S. municipal documents that could assist local deputies in developing their own training materials. The participants particularly appreciated the translated texts and requested further materials on municipal management in Russian, as well as intensive teaching sessions with individual international experts.

B. Proposals and Requests for Future Projects

i. General recommendations

NDI recommends that future technical training seminars and information transfer programs address the following political and economic issues:

- a) division of powers between executive and legislative authorities. This remains a serious concern, particularly at a time when some democratic reformers argue for authoritarian measures to resolve pressing economic problems;
- b) the differing responsibilities of the private and public sectors;
- c) accountability and conflict-of-interest laws, particularly since the move to a free-market system is under way in a society where no clear dividing line exists between public and private domains;
- d) Eastern European privatization experiences;
- e) municipal civil-service systems, including the system of job testing, job hiring, and employee rights;
- f) economic development of municipalities;
- g) comparative Western governmental structures;
- h) techniques for effective inter-governmental relations;
- i) municipal concerns in unstable economies in Asia, Latin America, and Eastern Europe;
- j) examples from the United States of cities that are well managed and cities that are not;
- k) the importance of an independent judiciary and other mediating institutions;
- l) the importance of guaranteed access to information, without which a system of checks and balances cannot work;
- m) the organization of city staffs and the organization of the work of mayors; and
- n) the social and psychological effects of the transition.

- ii. *General programs to strengthen municipalities in the former Soviet Union***
 - a) Provision of videos of city council meetings in United States and European to elected officials in the former Soviet Union;
 - b) establishing a consulting center in Moscow that municipal leaders of the former Soviet Union can approach with specific questions;
 - c) cooperation with the Union of Russian Cities;
 - d) provision of trainers from countries in similar situations (e.g., Poland, Hungary, and Slovenia) who can discuss the transition to a market economy and the privatization of property; and
 - e) establishing a team of U.S., European, and former Soviet Union economic and financial experts who can develop, along with experienced translators, useful conceptual translations of "how-to" training materials that incorporate an understanding of Western and communist systems and terminology.

- iii. *Specific budget and finance projects to strengthen the technical base of municipalities in the former Soviet Union***
 - a) property inventory that can provide a foundation for mass appraisal;
 - b) a basic accounting system for both future private enterprises and governmental services;
 - c) cost-benefit analysis;
 - d) a process to train deputies on how to set budget priorities, agendas, and goals;
 - e) tax forms, data collection, analysis of tax incidence, property appraisal, and valuation; and
 - f) The budget process and calendar, including budget instructions, suggestions on techniques to analyze budgets, and decision making.

- iv. *Recommendations by NDI's international experts to former Soviet Union municipalities***
 - a) reduce the size of elected bodies;
 - b) eliminate the raion soviets as independent legislative bodies;
 - c) link privatization activities closely to the generation of tax revenues;

- d) minimize government services but be prepared to form social service departments that will provide for exemptions and coupons;
- e) improve tax-collection services;
- f) obtain research and implementation staff; deputies should be able to depend on their own experts when preparing budget priorities; and
- g) disclose information on all city soviet expenditures to the population.

v. *Additional Requests by Participants For Future Seminars*

The participants requested future seminars on a wide array of topics, including property, pricing policy, tax policy, privatization, municipal housing, social welfare, conversion of industries, the role of cities protecting the environment, and the functions of deputies in democratic societies.

They also asked for research and publications, such as municipal reform handbooks, documents about the separation of powers in democracies and inter-governmental relations, analytical reviews of the democratic management of municipal finances, information bulletins containing the speeches of international experts, and a critical review of Soviet budgeting procedures in 1990.

These requests indicate the depth of experience and unfamiliarity that local government leaders of the former Soviet Union have with the most basic operational practices. If reforms are to succeed, NDI believes that it is important to continue providing technical training assistance and information on democratic local governments. NDI's international trainers echoed these sentiments:

"A progressively minded woman from St. Petersburg gave me a Russian spoon containing a plaque depicting Gorbachev that was subtitled: 'Russian food.' She meant to say: 'What good are abstract reforms when actual living conditions aren't changing?' If a Russian woman who is basically for reform takes this view, how much greater is the danger that opponents of the reform movement will block the road to democracy with the argument that an idea that fails to eliminate people's material hardship is one whose time has not yet come. The response cannot be resignation. The West must increase its commitment, must give concrete economic and administrative assistance. Only then can political and personal freedom be won and secured on a long term basis."

Hartmuth Wrocklage, Chief, Civil Service Finance Dept., Hamburg, Germany

"There is a thirst for knowledge and expertise among Soviet local officials. Intensive public administration sessions should be offered by professional experts as well as their elected counterparts in the West...How to govern, how to establish a system of governance in a democratic system, and how to structure such a system are the questions Soviet local officials are asking."

Zev Yaroslavsky, Chairman, Budget Committee, Los Angeles City Council

"A lot of work is needed quickly to ensure that the new democratic bodies do not fall into disrepute because of their incompetence or the increase in corrupt practices."

Rita Hale, Chief, Local Government Division
Institute for Public Finance and Accountancy, United Kingdom

"It seems to me that of all the activities that are being conducted within the United States to help the Soviet Union, this is one of the most constructive and innovative. I think this was a real chance to 'do good.' We spent time discussing concrete examples, and I think that not only did the Soviets learn more about what it means to run a municipal government, but the Western participants did as well."

Marshall Goldman, Professor, Wellesley College, Massachusetts

APPENDICES

APPENDIX I

DEMOCRACY IN 'THE SOVIET UNION: ONLY BRAVE NEW WORDS?

by *Walter F. Mondale*

NDI Reports

Fall 1990/Winter 1991

The grim situation in Moscow quickly dispels any illusion that the old order is dead. The oppressive force of the central bureaucracy is as pervasive as the threat of chaos: the old political mafia has been joined by a new mafia of money and guns. Eduard Shevardnadze's surprise resignation and the military crackdown in the Baltic states have demonstrated the continuing power of the Soviet military and the KGB. A return to dictatorship has become a fearful possibility.

In the midst of this turmoil, a few heroes persevere. They are the democratic reformers who hold key positions in many of the Soviet Union's largest cities. If they do not survive, the prospects for Soviet democracy will also fade. Unfortunately, their window of opportunity closes a bit each day, and they have precious little time to show that democracy works.

The new leaders are in a hurry. Yet, they are burdened with a legacy of economic catastrophe. In these circumstances, people turn to the dangerous myth that authoritarian rulers are better able to control an economic crisis. The reformers must show that democratic government is not for the good times only; it can also manage in emergencies.

The newly-elected democratic leaders of local governments have two basic objectives: to develop a social and economic base for democracy and to learn how to manage government. In the view of Leningrad Mayor Anatoly Sobchak, for example, democracy can begin only by making every Soviet an "owner." For Moscow deputy mayor Sergei Stankevich, on the other hand, the reformers are doomed if they do not acquire practical expertise in the democratic management of government.

Until recently, the cities were run by Communist Party bosses and the city councils were ineffective bodies. Today, these unwieldy political shells are trying to acquire both power and organization. While the city councils of Moscow and Leningrad are dominated by democratic reformers, about 90 percent of these members are new. The councils are burdened with 400 to 500 members each. Moscow also has 33 separate districts, each with its own council of more than 150 members.

The new local leaders have a thousand questions: How do Western cities raise taxes? How do we privatize? Do Western mayors have nongovernmental sources of income? What should be the powers of a city executive? Who should own public housing and land — city or the district councils? How should cities regulate businesses located in their jurisdictions?

These are urgent questions, and Western democracies are in a position to offer practical answers. We can provide targeted technical assistance to show how these reformers might make democracy work. We can produce manuals on city government culled from European and American experiences. We can demonstrate that democracy means not only decentralization, but also a legitimate sharing of power among different levels of government. And we can offer advice on how to institutionalize protection against political corruption, which may be the most serious threat to maintaining the Soviet public's trust in their evolving government.

The West must be concerned with the Soviet Union's impact on world security. But we also have a stake in supporting Soviet democratic forces. These are mutually supportive rather than mutually exclusive priorities. Practical assistance which demonstrates the scope as well as the limits of local government power can help build the public trust necessary for a stable and democratic Soviet Union.

We should not allow the new voices of Soviet democracy to fade away, to remain merely a few brave new words. ●

Rising stars hungry to learn about democracy

Editor's note: Copy of Charleston Mayor Joseph P. Riley Jr. was part of a U.S.-Eurasian delegation that held a conference in Moscow recently on "Democratic Governance and City Politics" for officials from 33 cities in the Soviet Union.

By Joseph P. Riley Jr.

I have always liked and admired (former vice president) Fritz Mondale, and I regret for our country that he never served us as president. Mondale is chairman of the board of the National Democratic Institute, the sponsor of the Moscow conference in which I participated. I have always tried to see if important and powerful people had a genuine sense of humor. For me, it is a good telltale sign of their overall goodness.

Fritz Mondale has a twinkle in his eye, a self-deprecating sense of humor, a gentle needle bandy for his friends and, above all, he does not take himself too seriously.

I was seated next to him at a banquet during the conference. The vice mayor of Moscow had offered a toast and Mondale had appropriately responded. Later, the head of the Democratic Party of Russia was offering a toast, and as he was concluding, Mondale leaned over to me and said, "Joe, how about responding to this one," enjoying a little bit my lack of notice or preparation. I responded:

Mondale takes very seriously his work as chairman of the NDI. He has also led delegations to Eastern Europe and South America.

I have been involved in situations in the past where famous people in honorary positions make a couple of cameo appearances, and then excuse themselves, leaving the work for others. Not Mondale. He was at the meeting the whole time. He never acted like he thought he was important, and he was willing to give the same amount of energy to this effort that others did. He was thoughtful and impressive. I have always seen Mondale as an older Eagle Scout. He is always willing to do his duty and does it with a smile.

During his remarks opening the conference, Mondale told the Soviet officials in search of democracy, "if you fail, we all fail."

...

Anatoly Sobchak, mayor of Leningrad, rose to national prominence last year when he successfully challenged the reappointment of the chairman of the Foreign Economics Commission, alleging nepotism and incompetence. Such a challenge had never been made before.



Sobchak

Sobchak, a quiet former law professor, became an overnight star. Already, his name is being mentioned as a future president of Russia. I found it interesting that Sobchak, as a law professor, got in trouble in 1973 when he submitted his dissertation which suggested market-based reforms. His dissertation was rejected and he was seen somewhat as a troublemaker.



We got to see him in action.

After his speech to the group, he took questions, and a member of his Leningrad City Council accused him of not moving fast enough toward democracy. Sobchak scolded his accuser for his impatience. He said that democracy must come, "step by step."

Sobchak exemplified the tension of transition that exists. On the one hand, the radicals, as he called them, are pushing most impatiently for full democratic reform. On the other hand, he sees the old guard ready to reinstate the right-wing totalitarian government. He told the council member that if the radicals want to get rid of him, they can try. He was just going to try to do his best.

Sobchak seems to me to be just what the country needs — a leader with the courage to take the middle road. Sobchak sees this year's food crisis as the greatest danger to democratic stability. "Disappointment in democracy," he said, "can lead to accepting tyrannical leadership."

Sobchak told me that it would be so helpful to Leningrad for an American with strong experience in local government to spend a year and a half with him, simply helping him to get through the day-to-day, nuts-and-bolts problems of running his city.

...

Sergei Stankevich, deputy mayor of Moscow, is slight of build, and his closely-cropped light brown hair and youthful face make him look even younger than his 36 years. He, too, is a prominent national leader. This year, he bolted from the Communist Party at the same time as Boris Yeltsin and Anatoly Sobchak. He also is a member of the Supreme Soviet, but has turned his energy to local government because he believes that it is the best hope for the success of democracy in Russia. I think there is common agreement that democracy has to work at the city level if it is going to work at all.

Stankevich made it clear that there is reason to fear the loss of democracy. The old guard is arguing that the only way to solve the pressing problems is to return to an autocratic system. Stankevich said, "Our choice is clear, we must confirm our democratic choice."

Moscow, with its 8 million citizens, has a larger population than 44 states in our country. But since it is so oriented to government, there is little production. Stankevich said they must sponsor an age of privatization. He believes the most intelligent course is to privatize the retail outlets right away. They are composed of mostly smaller units, making it easier to accomplish. He needs an extraordinary amount of help and expertise to pull this off. Remember, every

store is now owned by the government. The task is huge and it is imperative to move fast

Stankevich sees Moscow eventually as a center of modern technology — a cultural, governmental and tourist center. If perestroika works, it would, of course, have an extraordinary opportunity for a huge tourist boom

Keep your eye on Sergei Stankevich. He is a leader of the future

...

Nikolai Fedorov, who has short, coal-black hair and traces his roots back to a tribe in Mongolia, is the quintessence of a self-made man. He won for himself a legal education and is now the minister of justice for the Russian Republic and a member of the Supreme Soviet (their Congress). And, he's only 32

Four of us met with Fedorov late one afternoon in his impeccably neat wood-paneled office in a building that only recently served as a high school. We chatted over black coffee and crispy waferlike cookies. He is currently drafting legislation dealing with the privatization of property and the status of the city of Moscow. Both are extraordinarily complex problems. Fedorov said that he is in great need of "intellectual help, particularly with privatization, as we have absolutely no background"

I asked Fedorov about his concern for the internal unrest. He said that it was extremely serious and he sees greater unrest ahead. He said something must be done very soon. "We need foreign capital and civilized privatization," he said

Concerning the food shortage, he has a lack of confidence in their food distribution system. He said that there is a great deal of incompetence and he is afraid that food sent will be stolen or will rot. (The mayors said food should be sent directly to the cities, thus short-circuiting the system.) Fedorov said that it is better that we give them new tractors. He fears that rioting is not far away if the food crisis is not resolved

I asked him what his biggest problem was in terms of administering justice in Russia. He said it was the need to train lawyers and judges. Russia has 14,000 lawyers, Germany has 60,000 lawyers. The United States, somewhat larger, has 400,000 lawyers. (I know some cynics will immediately recommend that we send many of our lawyers to Russia.) He is seeking to double the capacity of their law schools next year. His greatest need is law professors who understand private enterprise. They have none

A most amazing thing occurred at our meeting with Fedorov. When we went into his office, there was a young woman sitting in the corner of the room. She was a reporter from a new, free newspaper. Fedorov asked if we objected to her covering the meeting and if we would be willing to be interviewed by her when it was over. Of course, we agreed. What a change. In Russia, the minister of justice used to administer fear, not justice. This new minister of justice was holding meetings open to the press. When we left the meeting, we went out into the black, cold early evening of Moscow. I think at that moment, however, I had greater optimism for democracy working than at any other time. Freedom is best assured when there is an independent and competent system of justice. Keep your eye on Fedorov. He is a leader of the future, too

...

Nikolai Trafkin is the top legislative leader for local government and president of the Democratic Party of the Soviet Union. If Trafkin looks like a blue-collar worker, it is because he was. He is slender, about 5 feet tall, with thin, blond hair, prominent cheekbones and a gaunt face. He looks a bit uncomfortable with a tie snug to his collar. Trafkin started as a bricklayer, then became a welder, and now he is the builder of a new order in the Soviet Union. He is probably closer to the mold of Lech Walesa than any of the other leaders we met:

Trafkin, 45 at most, is the organizer of the Democratic Party in Russia, the main challenger to the Communist Party in terms of membership. Trafkin helped open our conference, stating that the conference was "the first contact between politicians of a civilized democracy and politicians in the Soviet Union on the issue of democracy." "Before," he said, "our meetings were on disarmament, this is the first meeting on democracy." This popular leader has two main interests — political party organization and the restructuring of local government

Most of the outspoken leaders for democracy have either remained as nominal communists or left the Communist Party, but not aligned themselves with a party. Boris Yeltsin, Sergei Stankevich and Anatoly Sobchak all bolted the Communist Party this year, but have not aligned themselves with another political party. Trafkin feels they are making a mistake and should join his Democratic Party. Trafkin said that only 10 percent of the members of their Supreme Soviet are conservatives defending the old guard, and yet this 10 percent is able to hold up debate and prevent progress because they are so organized. He sees increasing membership in the Democratic Party, particularly at the local level

Trafkin's other mission is the reorganization of local government. This is and should be a top priority. The current system of local government is diffused, confusing and ineffective. "They were not designed for the purposes they are used for today, so we need a different structure. You can't carry vodka in a basket," argues Trafkin. Until local governments are restructured and can work with reasonable efficiency, democracy is going to have a tough time

Jerzy Regulski is not young, nor is he Russian. He is about 65 years old, at times looks much older. He appears to be bone weary, if not exhausted. He ought to be. I met him first this June in Chicago. He was sick with a bad cold. In Moscow, I saw him again. He was sick with a bad cold. He has simply worked himself into exhaustion. He is the father of democratic local government in Poland. He has had a busy two years

For the last year and a half, he has been in the Senate in Poland and is minister for local government. Last May, 50,000 Poles were elected to positions in city government. Just as in the Soviet Union, not one of these 50,000 people had any experience in democracy or in running a government. They were starting from scratch in most difficult social and economic times, committed to making democracy work, but having very few ideas about how to go about it



Regulski

I got to know Regulski last year when I came to the annual meeting of the U.S. Conference of Mayors looking for our help in setting up a similar organization in Poland. Since then, we have sent a delegation of municipal officials to Poland and they are now setting up such a conference. The transition in Poland to a democracy this past year has been remarkable and is a tribute to this tenacious intellectual

Regulski set up training centers for local government officials and since May, 40,000 officials have gone through these centers. He has developed a weekly newspaper for local governments that is sold to the 800 municipalities in Poland, and which is paying for itself. He has sent 2,000 Polish elected officials abroad to study in other cities and has successfully introduced reform to local governmental institutions. A marvelous model for the Soviets, he is one of the world's unsung heroes of democracy

APPENDIX III

"LOCAL OFFICIALS' KEY ROLE IN ABORTING COUP"

*The following article is excerpted from the September 2 issue of **Nation's Cities Weekly**, a publication of the Washington-based National League of Cities.*

Local Officials' Key Role in Aborting Coup

BY ZEV YAROSLAVSKY

American television audiences have become familiar with the names and faces of the courageous Russian Republic President Boris Yeltsin, the Soviet President Mikhail Gorbachev, and even those of the plotters of the coup in the Soviet Union. Yet it was members of the local governments who played a largely unnoticed but critical role in preventing a return to totalitarianism.

In the cities of Moscow and Leningrad, it was the Mayors Gavrail Popov and Anatoly Sobchak, their deputies and council members who called the people out to man the barricades, and coordinated the flow of information to and from the Russian parliament where Yeltsin was headquartered. It was from the rooms of the Moscow City Council on Tverskaya Street that word went out to local councils across Russia to deny the legitimacy of the coup against Gorbachev.

I know many of the local officials who participated in this movement. As a representative of the Washington-based National Democratic Institute for International Affairs (NDI), which has been conducting a municipal reform program in the Soviet Union since August 1990, I traveled to Moscow and Leningrad last May. Together with 15 colleagues, I led a series of training workshops for 150 city council members and administrators from Russia, Belorussia, Moldavia, the Ukraine and the Baltics on issues ranging from the separation of powers in democratic local governments to technical questions of municipal budgeting and finance.

This was the second of NDI's large-scale training seminars. The first meeting was held in Moscow in December 1990. The Institute's international experts have included mayors, city council members, administrators and city managers from the United States, Poland, Great



The author is addressing a special session of the Leningrad City Council during NDI's local government reform program last May. In September, the city was officially renamed St. Petersburg.

Britain, Sweden, Germany and the Netherlands.

Former Vice President Mondale led the first bipartisan delegation. My colleagues in this process have included Mayors Tom Volgy, George Launer and Joseph Riley, and New York Councilwoman Ronnie Edridge as well as Klaus von Dohnanyi, the former Mayor-Governor of Hamburg, Germany, and Jerry Regulska, Poland's Under Secretary of State for Local Government Reform.

In its selection of American trainers, NDI benefitted from the advice of the National League of Cities. To my knowledge, the NDI program is the most systematic and broad-based training program for local officials in the Soviet Union. Its work has already given rise to the Association of Russian Cities. The Institute also translates materials into Russian and can provide orientation sessions for Soviet city council members visiting U.S. municipalities.

Three distinctive features of Soviet local governments have struck me. Since the elections of spring 1990, the leading democratic reformers like Mayor Sobchak in Leningrad and Deputy Mayor Sergei Stankevich in Moscow have been nationally known politicians, with seats in parliament, who have chosen to focus their efforts on municipal reform and decentralization.

Municipal reform is a complicated task. Soviet cities have an overwhelming number of responsibilities: they run industrial enterprises, for example. They are major industrial and residential property owners. They are involved in the distribution and subsidizing of food. In short, they perform many of the functions that our private sector and even our national government normally perform.

Yet, the newly elected city council members who must address city concerns in a period of economic instability have little experience with management, few technical skills and virtually no understanding of democratic government. Historically, the municipalities have been run by Communist Party bureaucrats. When I was there in May, in fact, I found all political institutions in disarray. The Communists had ensured that local councils were, in the words of Mayor Sobchak, ornaments or facades which voted the way they are told.

Without much experience and in a period of profound political turmoil, the city council members are struggling with fundamental questions: how to divide powers between executive and legislative branches of government, what powers to assume at the local level and what powers to reserve at the republic or even national level, and how to develop a political system capable of making decisions and producing results.

They need technical assistance in areas as diverse as land valuation, privatization, municipal housing, tax policy, and budgeting.

In October I shall return to Moscow and Leningrad with NDI in order to work intensively with members of the Moscow City Council and the Leningrad City Council on technical aspects of municipal budgeting and finance. Let us not hesitate now in providing them the technical training assistance they so desperately need.

Zev Yaroslavsky is a member of the Los Angeles City Council and chairman of its Budget and Finance Committee. ●

APPENDIX IV

STATUTE ON MAYOR, ELECTIONS

RSFSR

FBIS-USR-91-005
14 June 1991

Statute on Mayor, Elections

RUSSIAN MOSCOW MOSKOVSKAYA PRAVDA
in Russian 14 May 91 pp 1-3

[Provisional Regulations on the Mayor of the City of Moscow and Procedure for His Election]

Text] Section 1. General Provisions

Article 1. The Mayor of the City of Moscow

The mayor of the city of Moscow is the head of executive power. It is not permitted to combine the positions of mayor of the city of Moscow and chairman of the Moscow City Soviet of People's Deputies. The mayor of the city of Moscow cannot be the people's deputy of a local soviet in the territory of the city of Moscow.

The system of city executive power is based on principles of unity of authority and personal responsibility.

The mayor is accountable

- in the sphere of jurisdiction of republic organs of power—to the RSFSR president
- in the sphere of jurisdiction of Union organs of power—to the USSR president.
- in the sphere of jurisdiction of local organs of power—to decisions of the Moscow City Soviet of People's Deputies

The salary of the mayor of the city and of his deputy is established by the Moscow City Soviet of People's Deputies.

Article 2. Basic Powers of the Mayor of the City of Moscow

The mayor forms the executive organs and bears personal responsibility for their activity and for execution of the laws of the RSFSR and USSR and normative acts and resolutions of the Moscow City Soviet.

The mayor has the right:

- to appoint the heads of executive organs of the city and remove them from their positions, including upon decision of the Moscow City Soviet
- to make decisions within the jurisdiction of city organs of power, with the exception of norm-prescribing and other decisions of the Moscow City Soviet which are within the exclusive jurisdiction of sessions of the Moscow City Soviet

—to introduce draft resolutions for priority examination by standing commissions of the Moscow City Soviet and in its sessions, including the draft city budget;

—to disallow, with justification, a decision of the Moscow City Soviet within the course of one week from the date of its adoption. The mayor's veto can be overridden by a majority vote of elected deputies of the Moscow City Soviet. If a decision of the Moscow City Soviet is not disallowed by the mayor within one week, then it must be signed by him after the chairman of the Moscow City Soviet and adopted for implementation.

Article 3. Main Functions of the Mayor of the City of Moscow

The mayor, in accordance with RSFSR and USSR legislation and decisions of the Moscow City Soviet, ensures:

- legal and social protection for citizens.
- management of the city economy, urban development, and social development of the city.
- fulfillment by the city of its functions as a capital and the city's receipt of appropriate compensation from organs of state government
- accomplishment of economic reform.
- allocation of land in the city of Moscow and of city assets, on the basis of norms, rules, and regulations established by the Moscow City Soviet within the framework of RSFSR laws and under supervision of the Moscow City Soviet
- implementation of the city budget approved by the Moscow City Soviet

The mayor presents a report to the Moscow City Soviet at least once each year on the state of the city, on his activity, and the activity of executive organs.

Article 4. Correlation Between Powers of the Mayor, Moscow City Soviet, Rayon Soviets, and the Zelenograd City Soviet

In the event contradictions arise between decisions of the Moscow City Soviet and decisions of the mayor, the decision of the Moscow City Soviet is final.

The Moscow City Soviet has the right to adopt resolutions on the suspension or repeal of decisions (directives) of the mayor, as well as a resolution on the expression of lack of confidence in the mayor. In the event the mayor violates laws of the RSFSR or USSR or decisions of the Moscow City Soviet. In the event of an expression of lack of confidence in the mayor by a two-thirds vote of the elected deputies of the Moscow City Soviet, the mayor resigns or a general city referendum is conducted on the question of ahead-of-schedule mayoral elections.

The mayor does not have the right to dissolve the Moscow City Soviet or rayon soviets of people's deputies, or to alter the administrative-territorial division of the city into rayons.

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Executive committees of rayon soviets of people's deputies have a dual subordination:

- in the sphere of jurisdiction of the city organs of power—to the mayor of Moscow;
- in the sphere of jurisdiction of rayon organs of power—to decisions of the rayon soviets of people's deputies.

The rights and powers of the mayor established by these regulations are all-encompassing.

Section 2. Elections of Mayor of the City of Moscow and His Deputy

Article 5. Electoral Commissions

Organization and conduct of the election campaign for the elections of mayor of the city of Moscow is imposed upon the Moscow City Electoral Commission for the Elections of People's Deputies of the Moscow City Soviet of People's Deputies. The commission is guided in its activity by the RSFSR Law "On the Elections of People's Deputies of RSFSR Local Soviets of People's Deputies," unless stipulated otherwise by these regulations.

Decisions of the Moscow City Electoral Commission not in contravention of these regulations or the above-mentioned law are obligatory with respect to execution by rayon and precinct electoral commissions. The composition of commissions may be expanded through the inclusion of additional members by decision of higher-echelon electoral commissions.

Article 6. Nomination of Candidates to the Position of Mayor of the City of Moscow

Nomination of candidates to the position of mayor is accomplished by means of petition submitted by citizens permanently residing in Moscow and having the right to vote (10,000 signatures, with last names and home addresses indicated). There is no limitation on the number of candidates nominated. Self-nomination is permitted.

Article 7. Registration of Candidates to the Position of Mayor of the City of Moscow

Registration of candidates to the position of mayor is accomplished by the Moscow City Electoral Commission following presentation of the list of petition and written consent of the candidate to run for election along with indication of his nominated candidate to the position of deputy mayor.

Article 8. Elections of Mayor of the City of Moscow

The mayor of the city of Moscow is elected together with his deputy by universal direct secret ballot for the term of office of the Moscow City Soviet of People's Deputies.

APPENDIX V

EXCERPTS FROM A REPORT ON LOCAL GOVERNMENT ORGANIZED BY THE CENTER FOR APPLIED POLITICAL RESEARCH (INDEM) NOVEMBER 1990

The following report was prepared by the Committee of the Supreme Soviet of the Russian Soviet Federal Socialist Republic (Russian Republic) on the history and contemporary concerns of the Soviet of Peoples Deputies; the development of self-government; and the organization of municipal soviets in the Russian Republic.

FORMATION OF THE SOVIETS

The soviets, organs of collective leadership that spontaneously arose in Russia during the course of the first bourgeois-democratic revolution of 1905 were originally without sponsor, but eventually turned into a workers' movement. The very experiment of the organized labor struggle prompted this form of organization within the government for both the leadership of the strikes and for the presentation of lawmakers' demands.

When a strike went beyond the walls of a single factory or plant, the soviets served as the unifying force for the various enterprise deputies, creating a single entity -- the soviet of deputies to which workers picked their own representative deputies.

One of the most notable traits of the soviets is that they arose first and foremost as organs of proletarian class representation. One can find in many documents written in factories or plants at the period surrounding the 1905 revolution mentions of the decree that deputies were to be chosen solely by the workers.

At first, the soviets limited themselves to the organization of strikes, but gradually they began to actively assume the functions of government organs. The soviets abolished rent, taxes and the collection of arrears and introduced an eight-hour work day. Furthermore, by decree, the soviets introduced free cafeterias in the cities, organized free medical care and the distribution of medicine. They also transferred many government operations from state control to worker committee control, such as what occurred with the railway administration.

In many cities, the soviets founded armed workers' detachments and other military formations that gave them the ability to operate not only among the masses where they had growing authority, but also against the official organs of power where they could rely on the threat of armed might.

The soviets often disbanded the bourgeois organs of local self-government (municipal *dumas* and courts), condemning the "thugs," police and provocateurs. The soviets of Moscow, Kostroma, Cluta and of many other cities acted in such a manner.

Among the primary goals recorded in the regulations of a majority of the soviets was the formation of general political tasks of struggle against the autocracy. The deputies of the soviets not only worked out the decisions but directly took part in their fulfillment. Most of the essential questions were decided by the deputies collectively in general meetings of the soviets, which met two-four times a month. Between meetings, deputies worked in executive bureaus, commissions or strike committees, continuing the activities undertaken by the soviets.

FUNDAMENTAL DIFFERENCES BETWEEN THE SOVIET GOVERNMENT AND A PARLIAMENTARY DEMOCRACY

The distribution of power located in the soviets was conceived of and partly tested by the statutes of Marxism as an antithesis to parliamentary democracy. This form of government was chosen for various reasons, but the primary one was the idea of dynamic transfer to a society without a government, in essence to universal self-government. This form was used first by the Paris Commune and was later adapted to become the Soviet Republic.

The fundamental differences between a parliamentary government and that of the soviets are as follows:

- 1) Replacement of the principle of the division of powers with the principle of the "workers corporation;"
- 2) Replacement of the permanent army and police with the militarization of the people;
- 3) Organization of a single system of organs of power -- from local to supreme;
- 4) Formation of higher soviets from the composition of subordinates that would evolve through multi-stage elections;
- 5) Replacement of free deputy mandates by imperative mandates;
- 6) Permanent renovation of the organs of power -- the absence of a term of authority or a very short term of authority for the deputies of municipal and rural soviets (three months as according to the 1918 Constitution of the Russian Republic); and
- 7) Mandatory calls upon the citizens to participate in the government.

The soviets from the beginning in February of 1917 were regarded as organs of government as opposed to the tsarist government.

The first group to be organized was the military. In order to gain governmental authority, municipal soviets formed military-revolutionary committees, otherwise known as the Red Guard. Also organized were workers' militia and other such organizations that had the military capability to actively fight the counter-revolution.

CONGRESS OF SOVIETS

Gradually a system of Congresses of Soviets evolved. Also created in this period were committees, commissions and study groups accountable to the soviets and their congresses.

Once the Congresses of Soviets system was ratified both in the cities and in rural areas, the soviets became political organizations and, in essence, created the new form of political power known as the dictatorship of the proletariat. This new form of political power evolved out of the historical development of the worker's movement in Russia. After the October Revolution of 1917, by decree the soviets became a legally accepted state entity -- the Russian Soviet Republic.

In real life, this model was not embodied. Therefore, the form of government existing in the Soviet Union could be characterized more accurately as a quasi-soviet type. Until 1936-37, the structure of government was expressed in the following:

- 1) Elections were conducted primarily along production principles; i.e., in enterprises and institutions;
- 2) All people who did not belong to the category of workers were deprived of their voting rights. This refers to persons who utilized hired labor, private tradesmen and middlemen, religious leaders and others;
- 3) There existed an uneven norm of representation between urban and rural residents, in favor of urban dwellers and other deputies; and
- 4) The soviets could expel both themselves and other deputies from their own ranks.

The initial measures of soviet power met resistance from the old structure. Therefore, in the early days, the suppression of this resistance was the most important task of the Soviet government. Municipal soviets intercepted attempts to overthrow soviet power or create opposition to its policies. They broke up those organizations that manifested hostile relations toward the soviet order by carrying out arrests of the participants and confiscating property.

THE LOCAL SOVIETS

The local soviet organs were entrusted with the right to introduce decrees that pertained to daily life and to measures regarding the economic and cultural development of a given territory.

The higher soviets were entrusted with all soviet activity within the bounds of a given territory, control of lower-standing soviets, repeal of decisions accepted by lower soviets and, additionally, the estimate of income and expenses of the lower soviets.

Article 97 of the 1936 Soviet Constitution states that local soviets of worker deputies control the activities of subordinate administrative organs and the defense of civil rights. The local soviets responsibilities were to manage local agricultural and cultural development and the local budget. Local soviets were assigned the right to accept decisions and mete out orders within the limits of their authority as decreed by the laws of the Soviet Union and the Union republics.

With the decision on directive organs in 1965, local soviets strengthened their influence over both the development of industrial and agricultural production and the monitoring of law and order. The soviets began to insure that the consumer and social-cultural services necessary for the general public, existed on the territory of every municipal (or city regional) soviet.

With the decision on directive organs of 1971, the local soviets were transformed into the central link of government organs, insuring locally the practical implementation of the policies of the Communist Party and organs of state power.

The USSR's 1977 Constitution enforced the principle of leadership of the soviets as the single organ of state power. Strengthening the soviets' political structure, the constitution established that all other state organs were under the control of, and subordinate to, the soviets. The soviets directly, and through the established organs, managed all aspects of state, economic and social-cultural development.

From the time of their origin, the soviets supported strong mutual relations with the population. The deputies of each soviet communicated with the proletarian collectives, which created the soviet. Many soviet regulations state that the deputy will give an account of his activity and the activity of the soviet to his electorate. In the event that the deputy does not justify the trust of the electorate, the electorate is obliged to inform the collective group of deputies. Later, it became compulsory to carry out elections.

Cooperation between the soviets and the trade unions and other mass organizations of workers was strengthened through joint problem-solving exercises. Many of these organizations, similar to the soviets, were born in the course of revolutionary struggle against tsarist autocracy.

Responsibility lay with all members of the soviet to report to their electorate not less than once every two weeks. Any member who did not perform this duty twice would be deprived of deputy mandate, and in his place a new deputy was elected.

COMMUNIST PARTY – SOVIET RELATIONS

Still, in 1905, Lenin stated the necessity of forming a party nucleus within the soviets, and in this manner, maintain the party leadership. These Leninist themes found their reflection in the draft of the resolution, "the soviets of working deputies," which was written by the Bolsheviks for the Fourth Joint Congress of the Russian Republic. Thus, the fundamental principle of party leadership was designed from the beginning. The party does not directly lead the soviets but establishes its presence through members of the party who work in the soviets. Immediately, after the Party Congress, 47 out of a total of 62 soviets were headed by the Bolsheviks or were under their influence. The definitive principle of party leadership was written at the 8th Congress. It stated that the party of the Bolsheviks must establish itself as having unlimited political leadership and control of soviet activity, and that this was to be achieved by promoting its supporters and the members of the party to all soviet posts.

From the beginning, then, the mutual relations of the soviets with the Republics' leadership were built upon the principle of democratic centralism, i.e., the soviets were completely subordinate to the higher organs of government power. The principle of democratic centralism found a clear expression in the decree of October 28, 1917 "On the Plenitude of Power of the Soviets."

LOCAL SOVIET ELECTIONS

From a strictly legal position, during all the years of soviet power, deputies were never appointed, rather elected. In reality, however, beginning with the 1930s, there were no real elections. All the necessary electoral procedures stipulated by law were maintained and elections took place, but properly speaking there was no choice. No alternative to the Communist Party candidate was present in the elections. Within one voting district only one candidate appeared on the ballot.

Second, there was no secret ballot. A voter was not required to go into a booth to cast his or her vote. Citizens in mass, having received the ballots, would proceed directly to the ballot box.

The first real elections took place in the spring of 1989. Even if they were not carried out entirely democratically, voters were able to make a choice. In this election, even if only one candidate appeared on the ballot, voters could make a choice by crossing out the name of the candidate.

For the formation of a truly democratic system, however, even the 1989 electoral system is not enough. Events in the last year have shown that the organs of power, when chosen from a nonpartisan slate, become ineffective. An analysis of the election campaigns of 1988 and 1989 illustrates that people were unable to orient themselves to such a large number of candidates who did not represent defined parties. This was especially true if the candidate was not well-known among a large cross-section of the public. As a consequence, people who were able to run an effective campaign became deputies, but they were poorly equipped for future parliamentary work.

Still, since then the first step towards multiparty elections has been taken. In the course of the election campaigns both for the republic parliaments and for local soviets, deputy candidates have been defined as belonging to a certain bloc or as independents.

Currently, a uninominal majority systems exists in a majority of union republics, yet at the same time, the Supreme Soviet of the Russian Republic allowed elections along a multi-mandate system for small city, city-regional and rural soviets, if those soviets themselves desired such a system.

It must be noted that in smaller soviets of the Russian Republic, elections took place not along territorial lines, but according to a production principle, despite the fact that democratic forces actively came out against them.

ON THE STRUCTURE OF MUNICIPAL SOVIETS

There are 28,785 local soviets in the Soviet Union today. 1,205 of these are municipal soviets. There are many different kinds of municipal soviets. Municipal soviets can exist in cities which only have a population of several thousand and a small number of industrial, communal and other kinds of enterprises as well as in cities with populations of several million. In these larger cities, municipal soviets function as the economic, political and cultural centers of the country.

This variation in the representation of the soviets is demonstrated in the scale of activity which the soviets undertake, in the strength of the material base, in questions of co-subordination to higher government organs, and in the set up of the apparatus itself.

DEVELOPMENT OF URBAN AREAS

The speed of growth in the country's urban areas is striking when compared to the Western countries. In 1950, the urban population in the USSR reached 61 million, up 60 million from 1940. Such urban growth has never been known by a highly-developed state. For example, the doubling of the population in the U.S. required 30 years, and in Great Britain, 70 years.

The social make-up of the cities correspondingly changed. The percentage of the working class in the urban population in 1936 was 68.5 percent. By November 1, 1933, this number had increased to 88 percent. The percentage of cooperative goods producers in the cities during the same period increased from 2.1 percent to 6.2 percent. These changes reflected the colossal economic-political changes in the Soviet Union at that time.

The overall number of cities grew from 700 on January 1, 1931 to 743 on May 1, 1934. The number of workers' villages grew even more rapidly. On January 1, 1926, there were 23 workers' villages in the USSR, and by July 15, 1964 this figure had grown to 463.

The number of large cities in the USSR grew incomparably faster than in capitalist countries. From 1926 to 1939, the number of cities with populations larger than 100,000 in the Soviet Union grew from 33 to 82. In the US, the overall number of such cities increased from 80 to 94; in Great Britain from 51 to 58; in Germany from 45 to 57; in Italy from 18 to 22; and in France no increase took place.

From data dating May 1, 1940, there were 1,081 cities and 1,541 workers' settlements in the Soviet Union, and according to March 1, 1954 data there were 1,515 cities and 2,423 workers' settlements. In that period, the number of cities subordinate to the republics and oblasts also significantly increased. If in 1940 there were 391, their number had increased to 585 by March 1, 1954.

HIERARCHY OF SOVIETS

The name "local soviet" includes *oblast* soviets, regional soviets, soviets of the autonomous oblasts and districts, city and regional-city soviets, and district settlement and rural soviets. Their system of governing is based on a decreed hierarchy. For example, the jurisdiction of the Sverdlovsk *oblast* soviet is the whole territory of Sverdlovsk *oblast*, and subsequently, the local soviets located on that territory: the municipal district city, district settlement and rural soviets. At the same time, under the jurisdiction of the Sverdlovsk municipal soviet are the district soviets of the municipality of Sverdlovsk. In rural areas, under the jurisdiction of the district soviets are the small municipal, settlement and rural soviets. Such a system is often called a *matryushka* system, named after the famous nesting Russian dolls.

DEPUTIES OF MUNICIPAL SOVIETS

The number of deputies constituting a municipal soviet is dependent upon several factors:

- 1) The category to which the given city belongs. There are cities of republic, regional, oblast, and district subordination. The placement of a city in a certain category depends upon both its population and its political, economic and cultural significance.

2) The maximum number of deputies as decreed by law. For example, the Russian Federation has established a limit of 200 deputies for municipal soviets that represent regional *oblasts* and for municipal soviets in cities of district subordination, 50 deputies. By law, up to 500 deputies may be chosen for the Moscow soviet, and up to 400 for the Leningrad soviet.

3) The number of municipal soviets, not greater than the legislative maximum, defines the higher standing soviet or presidium. Exceptions are made only for Moscow and Leningrad. Their number is established by the Supreme Soviet of the Russian Republic or its presidium. Currently, the Moscow soviet is somewhat larger.

EXECUTIVE COMMITTEES OF THE MUNICIPAL SOVIETS

It became clear soon after the government structure of the Soviet Union was built that the model of a "working corporation," as envisioned by both Marx and Lenin, did not, in fact, work. The operational functions were handled by few deputies, rather than by all of them. Soon, this segment was legally organized into executive committees. Participants in these committees were approved of by the party structure. This is a manifestation of one of the most fundamental principles of the party control of the state -- the principle of "selection and placement of personnel." Selection to the executive committee was made prior to an election. Elections then served only to formalize the deputy's status.

The executive committees were required to fulfill not only administrative functions on the territory of the soviet, but also to call sessions, to determine the projects on a sessions' agenda, to manage preparations on questions of consideration at the sessions, to coordinate the work of standing soviet commissions, to organize training of deputies, and to look after their responsibilities in their electoral districts. The executive committees ultimately defined the politics of a given soviet, fully arranged the budget, and finally, controlled the deputies.

Several academics, beginning in 1962, proposed the formation within the soviets of special organs that would organize the so-called "parliamentary work," leaving only administrative functions for the executive committees. The academics, however, never proposed a mechanism of coordination for the presidiums with the soviets and executive committees. Therefore, the constitutional changes in the structure of local soviets, which were accepted in 1988 and realized in 1990, gave rise to confusion among local leaders, and in many local soviets became cause of a power struggle between the presidiums and executive committees.

The situation was further aggravated by the contradictions of the laws, the absence of a civilized view toward power, and by the introduction of the position of soviet chairman.

INTRODUCTION OF A CHAIRMAN IN THE LOCAL SOVIETS

The Constitution of 1988 decreed the position of chairman for all the local soviets. These chairmen automatically assume the position of presidium leaders where presidiums exist. Only in settlement, rural, and small municipal soviets do presidiums not exist.

The chairman holds both the title "chairman of the soviet" and "chairman of the presidium of the soviet" to indicate that the person oversees the work of the soviet while it is in session and during the intervals between sessions. Such an outlook on the role of chairman of a soviet is further strengthened by the fact that in May 1989, Mikhail Gorbachev became the chairman of the Supreme Soviet. In the periphery, there is a tendency to copy the power arrangements of the center; therefore, it is not by chance that the posts of chairmen of the soviets are often assumed by leaders of the corresponding party organ (many of whom are now declining these party positions) or by the popular democratic activists, for example Mayor Popov of Moscow and Mayor Sobchak of Leningrad.

Elections of the chairman of a soviet are carried out by secret vote. If more than two candidates are put forward and one does not receive over 50 percent of the vote, a repeat vote takes place with two candidates which received the larger share of votes. The victor is the deputy who receives at least 50 percent plus one vote from the general membership of the body of deputies of the soviet.

If, even with the repeat vote, it is impossible to determine a victor, an entire repeat election is carried out, beginning with the nomination of candidates. Although at this point, soviets have varying methods. In some, those who had been on the ballot in the previous vote are allowed to participate in the repeat election while in others they are not.

The assistant to the chairman is chosen as a rule by appointment by the Chairman of the soviet. However, in many soviets, which have a complicated political composition, the chairman is decided upon by compromise and thus the position of assistant to the chairman goes to a representative of the opposition forces. While in other soviets, the post of first assistant to the chairman is occupied by the one who earlier held the post of chairman of the executive committee. In general, it must be noted that the assistants to the chairman of a soviet, as a rule, are responsible for one or two departments -- for example, assistant for economic development, assistant for the social sphere, and so forth.

It is highly difficult to characterize the authority of the chairman and the assistant to the chairman of a soviet. Various soviets hold varying views on the presidium of the soviet and on its leaders. In some places, this authority approaches the authority of a hierarch while elsewhere only the authority of a speaker.

DESCRIPTION OF THE EMPLOYMENT OF A DEPUTY

In a majority of municipal soviets, the members of the presidium (which besides chairmen of soviets and their assistants, includes chairmen of standing commissions and several deputies, who were chosen in the session as members of the presidium) are paid employees of the Soviet and therefore are not allowed to supplement their work with any other work. An exception is made in many soviets for scientists, teachers, and creative artists. At the same time, in other soviets, any deputy has the right to work on a paid, standing basis. However, as far as it can be judged, a majority do not utilize this right, preferring to give up their old work for the sake of their still cloudy career of a professional parliamentary or municipal functionary. Deputies receive a salary of approximately 450-500 rubles a month, and possibly more in some places.

The meaning of "standing work in the Soviet" is becoming highly relative if it is taken into account that even the sessions of local soviets now last for one month at a time and even more. The Russian Republic adjusted the minimum number of local sessions to three per year as compared to the previous four sessions per year, which only lasted for one or two days. Furthermore, the law allows for extraordinary sessions to be called at the request of the chairman of the Soviet, at the request of any of the standing commissions or by one-fifth of the deputies.

STANDING COMMISSIONS IN THE SOVIETS

The main functions of the standing commissions in the soviets (and they exist in all soviets, though some of them carry the name "committee") are the following: to study problems and consult with specialists; to conclude a problem with a planned project or preparation of such a project; and to discuss candidates for project administrative positions, and similar actions. Commissions also oversee the fulfillment of the soviet's or its presidium's decisions. In the past, soviet commissions had to also fulfill the function of the organization responsible for carrying out the decision. Such a function remains now only as a formality, and it is possible that due to new legislation, it will disappear entirely.

The composition of a standing commission is not legally defined. The deputies themselves express a desire to work on a commission that often corresponds to their professional experience. At the same time, the presidiums of the soviets actively participate in the appointment of personnel. While in session, the soviets ratify the membership and size of each commission. Commissions are formed in almost all spheres of activity under the jurisdiction of the soviet. For example, soviets at the local level have commissions for law and order, industry, transport, communications, communal commerce, housing construction, public education, health care, culture, science, sports and others. Recently, commissions have been formed for *glasnost*, protection of individual rights and food supply.

Corresponding with legislation, a standing commission has the right to hear testify, any official, any director of an enterprise, organization or organ, and not only on questions relating to a given commissions' competence. Upon the results of these reviews, the commission can adopt solutions in the form of recommendations. The sole rule established is that officials are required to provide, not later than one month after the recommendation, a justified response to the commission on agreement or disagreement to realize its recommendations, while the regulations of the soviet give the commission the right to reintroduce the question before the commission for consideration in a session. Standing commissions do not have authoritative powers; therefore, the degree of approval for standing commissions depends on how much the soviet as a whole supports the opinions of the commission within its powers.

STRUCTURE OF POWER FOR THE PEOPLES' DEPUTIES

It must be recognized that the peoples' deputies in the strict sense of authoritative power have hardly any power at all. Only one area fell under the jurisdiction of the deputy: the right to demand an elimination of a breach of lawfulness. The law on the status of the peoples' deputies in the USSR (1989) allows a deputy to demand on the spot an overturning of a violation for either a private citizen or a public official. The breach can be fixed in protocol, which was put together by the deputy, or on his request by a representative of a legal defense or law enforcement organ (the police, inspector, and so forth). The officials and law enforcement representatives are required to undertake measures without delay for the elimination of the violation, and for bringing the guilty to justice. If no measures are taken, these officials carry disciplinary or even criminal responsibility.

Deputies also have the right to an immediate audience with officials, the right to review criminal investigations, the right to disclose such information to those individuals and organizations who require it, the right to take part in hearings of governmental administrative organs or public organizations as a representative of one's district (and citizens interests), the right to acquire information from state and public organs necessary to his deputy duties, the right to legal consultation with specialists and so on.

Additionally, deputies have the right within the limits of a session to attain a solution on any problem with the aid of the entire soviet body which has arisen in his electoral district. Deputies also have the right to conduct a survey, to raise questions, to add a supplemental request on the agenda of the session, and to question the removal of certain officials from their responsibilities.

MUNICIPAL SOVIET STRUCTURES

Municipal soviets began to acquire their own apparatus along with the other soviets with the following subdivisions:

- 1) The general department monitors the registration of incoming correspondence, receives public officials, carries out the administrative service for the soviet and the organizational-technical support for the deputy sessions.
- 2) The organizational-instructional department renders organizational assistance to the deputies and standing commissions, prepares reference materials for the carrying out of deputies' accounting, analyzes and summarizes electors' mandates, conducts deputy training, etc.
- 3) The protocol section oversees the archives, accounting, the personnel sector and the legal department.

The legal status of municipal soviets is defined by the constitution of the Soviet Union, union and autonomous republic constitutions and the laws of the union republics with regard to municipal and regional city soviets. These laws were accepted in 1971, and revised and reaffirmed in 1979. Problems, however, do exist with the structure of the legal system.

First, the supreme soviets of the union republics occasionally accept laws that are in contradiction with the Constitution of the USSR or legislation of the USSR. Second, several laws of the USSR contradict the Constitution of the USSR. For example, the "law on the general beginnings of local self-government and local economy in the USSR" contradicts several articles of the Constitution of the USSR. In fact, municipal soviets prefer to orient themselves away from the old or revised laws governing them, and instead refer to the "general beginnings" for general principles upon which to guide their actions.

It is not necessary to spell out the various acts that regulate the activities of municipal soviets, particularly in terms of their legal contradictions. Under the conditions of totalitarianism, it was simply not necessary to work out realistic mechanisms of functional responsibility. These responsibilities were fulfilled at the discretion of a state bureaucrat or party functionary.

THE LAW ON GENERAL BEGINNINGS OF LOCAL SELF-GOVERNMENT AND LOCAL ECONOMY IN THE USSR

The "law on the general beginnings of local self-government and local economy in the USSR," by itself is a progressive one. However, it allowed many deputies and leaders of soviets to accept the meaning "local self-government" literally, meaning in essence complete independence from the Union. This law states that local soviets independently decide all local

questions within the limits of their competency. This principle, however, does not function so far as there exists a plurality of power in the system of soviets at the local level.

DEMOCRAT VERSUS CONSERVATIVE

As has already been stated, elections without parties do not allow one to determine definitively whose forces (democratic or conservative) control this or that soviet, nor are there official statistics with which to make such determinations. If, in fact, such statistics exist, they would have to be examined carefully. Since a multiparty system is not yet institutionalized, extraordinarily vague criteria are used to determine political bent, democrat or conservative. Therefore, it is impossible to say how many municipal soviets are controlled by democratic or conservative forces. At the same time, it is possible to name several municipal soviets where a majority is composed of deputies who were not supported by the official structures, and therefore are not categorized as national patriots. These are the Leningrad, Sverdlovsk, Kaliningrad, Volgograd and Riazan municipal soviets.

It is certain that in the Russian Republic elections of 1990, the candidate supporting the platform of the nationalists did not receive support from the voters. So, for example, the society PAMYAT was not able to get even one of its candidates into the Peoples' Deputies of the Russian Republic. It is apparent that there are other soviets with a democratic majority, but as has been asserted already, such data is unavailable. To this point, it is more accurate to determine the party of the chairman of the Soviet.

ON THE SPHERES OF THE MUNICIPALITY AND ITS STRUCTURE.

Formally, the municipal soviets in the USSR are responsible for a wide variety of functions. These are the protection of public order, housing construction, commerce, everyday operations, public health, public education (secondary), the construction and maintenance of cultural objects, the city improvement, the building of roads, industrial enterprises which were subordinate to the municipal soviet, and municipal transport and communication.

However, under the totalitarian government, the municipal soviets did not have authority over these functions and for the most part, they still do not.

First, the municipal soviets (with the exception of the Moscow and Leningrad soviets) are found under the jurisdiction of the oblast, regional soviets and often the district soviets. Thus the higher soviets considered the territory of the municipality to be their own territory as well.

Second, the legislature does not severely delimit the authority (neither functionally nor territorially) between the local soviets of different levels. Naturally, in such conditions, it is

impossible to talk about the full power of the municipal soviets because the higher soviets can interfere with any decision.

Third, dual subordination exists in practically all spheres of municipal leadership. This means that, for example, the department of public health in the executive committee of the municipal soviet is subordinate both to another soviet and to its executive committee, and in final analysis to the ministry.

It is necessary to note that the law on the general principles of local self-governments and local economies of the USSR liquidated the double subordination of the local organs of administration, making them subordinate only to the soviets that had formed them. However, this law is not clear on the function of the soviet executive organs and its branches. Besides, this law directly contradicts the active Constitution of the USSR and the Constitution of the Union Republics. Furthermore, after the acceptance of the corresponding Law of the Russian Republic on October 10, 1990 this law was in essence abolished.

TRANSFER OF POWER TO THE MUNICIPAL SOVIETS

The transfer of real power to the municipal soviets is only beginning. The recent formal tax inspections will play a rather large role in the development of this process. Although they appear to be a centralized structure created by the Ministry of Finance of the USSR, the collection of all taxes, nevertheless, provides for additions to the municipal budget. However, special municipal services for the collection of taxes do not exist.

In daily life, the administration utilizes various executive-administrative organs.

- 1) The executive committee of the municipal soviet;
- 2) The executive committee of the district soviets that are situated in the municipality;
- 3) The departments and administrations of the executive committees of the municipal Soviet and the district soviets;
- 4) The production-governmental services (as a rule, the district services). For example, the budget for city improvement, for the repair of roads, for cleaning the streets, the dispatched services for energy, emergency services, services for housing, etc.

In large municipalities, the majority of the administrative work falls to the district organs and their services. However, much depends on the character of the sector and on the objectives of the administration. For example, information concerning a large-scale emergency on the metro system is immediately received by the executive committee of the energy department. In general, however, the structure of an operating administration in a city is extremely complex and intricate. There are still many parallel organs which duplicate each other, yet at the same time

compete with one another. The huge departmental infrastructure is also a serious factor that complicates the municipal administration. For example, many large-scale governmental undertakings independently utilize energy that is allotted for servicing the housing belonging to them, & the objectives of special assignments.

Presently, the system of municipal government is becoming even more complicated. First, the presidiums have begun to lay claim to a whole line of operative administrative functions. Second, municipal and district soviets are engaged in a power struggle for authority. All this gives birth to a diffusion of responsibility and discredit to the soviets which are currently declaring their democratic orientation. In all of this, the citizens are not only affected by the very condition of the cities, but by the public battle between the authorities of different levels. Therefore, many instinctively gravitate towards authoritative methods which they associate with order.

Today, the control of several functions, the distribution of housing, city improvement, and sanitation have been given to committees of self-government of micro-districts. The danger exists of still greater organizational chaos in municipal government as well as the appearance of new "centers" of abuses by the authorities as the obvious unreadiness of citizens for self-government is manipulated by certain factions.

THE MUTUAL RELATIONS OF THE SOVIETS WITH ONE ANOTHER

Up to two-three years ago, the only ties existent between soviets were vertical ties, which manifested the principle of centralism. The leaders of the municipal soviet contacted the leadership of its own provincial soviet; the leaders of the settlement and rural soviets contacted the leaders of the district soviet and so forth. Sometimes the joint sessions of the standing commissions and the sessions of the executive committees of soviets of higher and lower levels took the initiative. All this carried a more propagandist character since problems were really decided in unofficial forums.

Now a new phenomenon is emerging: the establishment of "horizontal" ties between the soviets of one level. This harsh necessity is a result of a worsening economic condition which is pushing the soviets toward this action. At the same time, local economies have a vital need to exchange products. This prompts the soviets to conclude agreements with adjacent regions as well as with the soviets (as a rule with the *oblasts*) of other republics.

The negotiation of joint legislative enactment with the soviets of the municipal and the oblast groups is another form of linkage. Before this, there was no mention about the mutual relations of the "subordinated" soviet with the soviet which "leads." This new form of agreement is moving quickly in certain areas. For example, conducting joint sessions of municipal and oblast soviets is being considered in Leningrad. However, this will not be a formal action as each soviet appears to be a fully independent subject.

The law "concerning the general principle of local self-government and local economy in the USSR" perceives the possibility of association of the soviets "horizontally," but only on the level of populated areas (the settlements, villages, cities). However, the aspiration to socially protect the population of the region pushes oblast soviets to unification. Thus, the association of soviets of the Northwest region of the Russian Republic and several other regions was created.

By 1971, it was established in the legislature that the decision of the local as well as the municipal soviets could be abolished only by the higher soviet, that is by the imposing organ of power. Thus, neither the republic nor the union government has the right to change the decision of the municipal soviet since these are executive-administrative organs. Also, the decisions of the soviets are not standard but declarative in character. Furthermore, it would have been unthinkable for a municipal soviet to make a decision as the soviets were previously fully controlled by the nomenclature. And lastly, in the juridical literature of those years, even if the soviet accepted an illegal or "false" decision, such a decision was "recommended" to be changed. Municipal governments simply did not have a feeling for such problems since they were fully controlled by the leadership of the Soviet and its decisions.

It is characteristic that the decision of the municipal soviets (and in general of all the local soviets) are not even under surveillance of the procurator's office. The public procurator can not protest the illegal decision of the soviet. According to law, only acts of the executive committees and their departments and administrations are liable to revocation by the higher executive organs as well as by the government organs.

Moreover, the heritage of the administrative system, which was not concerned with the creation of a strict and legally clear mechanism for distributing power, has created the bulk of the difficulty in the functioning of the soviets today. Currently, even if the decision of the municipal soviet is revoked by the higher soviet, there are no legal levers to secure such a revocation if the municipal soviet does not agree with it. This problem is caused by the absence of a mechanism of responsibility and could result in a crisis of power.

Unfortunately, judges did not and do not accept participation in deciding questions of lawfulness and constitutionality as they pertain to the soviets. One solution to this problem is to create a judicial mechanism to revoke illegal decisions of the soviets. Another option is to change the legal system into an institution fully independent of the legislative executive organs. The judgements must protect not only the private interests but the public view as well. However, this idea has still not found wide support.

THE ORGANIZATION OF THE WORK OF MUNICIPAL SOVIETS

The absence of a multiparty system undoubtedly leaves an imprint on the process of preparing and accepting the decisions of the soviets. Although factions function in the soviets, which are named by the deputy groups, they have less influence than party-based groups.

First, the notion "faction" differs significantly from the similar notion in western parliamentary systems. In principle, factions do not accord with parties, but accord with the general loyalty of the deputies to political or even ideological positions. Therefore, factions are now, as a rule, very weakly organized and registered. The deputies have no connection to faction discipline. Therefore, the sessions remain a means for publicizing an individual opinion. This type of system makes for long discussion and delayed decisions.

Second, the government consists of a mixture of institutions of the old system which conflict with new institutions. In the soviets, groups of deputies formed in terms of their political sympathies sit side by side with groups that formed as a result of professional interests. Still, the general atmosphere in the municipal soviets cannot be determined.

In these conditions, the theme and character of decisions often depend upon the presidium of the soviet and the opinion of the president of the soviet. The fact is that the presidium determines when the sessions convene and the course of the questions which are subject to discussion. A deputy or several deputies can formally request the inclusion into the agenda of a specific question.

According to the law, any standing commission can also request a change in the agenda. Most standing commissions are much more comfortable including "their own" question on the agenda already proposed by the presidium of the soviet. If the request of any standing commission is not accepted, its leaders can appeal to the soviet as a whole. The president of the commission, however, hardly wants to have strained relations with the president of the soviet or with any other leaders, understanding that in their hands are powerful levers of influence which can remove the president of the commission from his position at the session of the soviet.

Questions planned to be examined at the session are sent to standing commissions, which study the situation and invite specialists, scientific experts and consultants to prepare a plan of decision. The plan of decision can also be prepared at the initiative of a group of deputies by a scientific collective, by the executive committee or its staff. Other combinations of methods are possible for preparing the decisions of the projects. The presidium may appoint a standing commission responsible for the preparation and expertise of the decision of the project. In the final stage, the presidium itself also considers the project and depending upon its readiness brings it to the discussion sessions of the soviet -- after having sent the plans of decisions and introductory materials to the deputies.

The lengthy work of preparing the projects does not mean that they are accepted by the session without conflict. Earlier, a project was practically identical to its own decision and there was no question that the decision would be adapted. Yet now the president of the soviet, who possesses authority, is not even in a situation to guarantee acceptance of a certain project.

ACTS OF SOVIETS

The deputies must work with their own electorate and must carry out the leadership function in their electoral region. Significantly lowering the number of deputies would practically eliminate this possibility.

The acts of the municipal soviets are named by the decisions accepted at the session. By legislation, it is obligatory that the decisions are executed by the establishments, by the organizations, and by the necessary people and citizens. The decisions can be executed from the moment of their acceptance, from the moment of publication, or from the time period specified in the decision itself.

If the law is not revoked, the decisions of the soviet must be given to interested parties by the executive committee within seven days. This obligation lies in the presidium of the soviet. The publication of the decision of the soviets was not foreseen by the legislature. Therefore, the spread of the text of the accepted acts depends on the presence of a technical capability in the soviet.

In relations concerning subordinate officials, the soviet had the right not to accept a decision concerning the imposition of disciplinary punishment. In laws concerning the leaders, which are not subordinate to organs, organizations, enterprises, etc., the municipal soviet can solicit higher instances concerning the imposition of disciplinary punishment.

Recently, the problem of executive discipline in the country has been abruptly aggravated. Therefore in October of 1990 the Supreme Soviet of the Russian Republic accepted a law that fines deputies for intentionally not performing the decisions of the organs of power (up to 10,000 rubles)

ON THE MUTUAL RELATIONS WITH THE POPULATION AND COMMUNITY

The problems of the "soviets and the population" and the "soviets and the community" have become some of the sharpest in the USSR. While the danger of pseudo-democracy exists, this process does have a democratic direction.

Presently, the following channels of interaction between the soviets and the population are widespread:

1) The deputies of the municipal soviets. Their mandate requires the active leadership of the deputies in the electoral region. The deputies are held accountable before their electors no less than two to three times per year. They are obliged to examine the treatment and appeals of the voters and to regularly inform the voters about the work of the soviet and the pre-election programs. The soviets also assess the population's general opinion regarding the soviets' communication of regional problems to the Supreme Soviet.

2) The direct appeals of the citizens and their community representatives to the soviet. The regulations regarding the structure of the soviets establish the order of consideration of such appeals.

3) The committees on public self-government of the micro regions, having taken into account that the deputies of the regional and municipal soviets are often the committee leaders or members.

4) The free press that now expresses different opinions or nuances of opinions held by groups of people and community formations.

5) By means of sociological inquiries. This form has not developed into a strong option yet.

Citizen initiatives often serve as forms of protests. These include: pickets, demonstrations, hunger strikes, the declaration of public formations, strikes and strike threats.

In the future, there will be a new form of communication between the municipal soviet and the population. One example of this is municipal referendums -- as long as they accept the Law of the Russian Republic concerning the execution of referendums.

However, assuming that they receive the majority, neither the referendums themselves nor the legal consequences of the referendum are sufficiently regulated. Therefore, if the soviets do not take into account the general opinion, they will lower not only their moral and political authority, but their acts will not have any judicial legitimacy.

FORMATION OF MUNICIPAL BUDGETS

Before the acceptance of the law in the USSR, "On the general beginning of local self-government and local economy in the USSR," (the passage of which did not revoke the laws in the Russian Republic which concern the vital functions of the local soviets of peoples' deputies), the budgets of the local soviets were formulated from the top down.

Before the beginning of the calendar year, control figures would come down for calculation of the index of the local Soviet of peoples' deputies' budget. (As a rule, these norms were calculated from a level achieved from the previous years' index.) After a review in the local soviet, these indexes are usually agreed upon with the addition of a small supplement which is usually a response to a request for an increased budget. Never in the discussion is the question posed as to whether a supplement is needed or not. After the local soviet decides upon a budget, that figure is sent to the soviet for final agreement.

In all the laws of the Russian Republic concerning questions on the activity of the local soviets, only one norm is maintained:

"The local soviet of peoples' deputies confirms the budget and organizes its utilization, taking into account the requests of votes, and redistributes under necessary situations in the process of budget utilization the budget means among branches of the economy, departments and administrative functions of the executives committee, and also redistributes appropriations to wages within the limits of the already-ratified wage fund, and confirms the calculations on budget utilization."

The local soviets' budgets are not independent. Rather, they are components in the Russian Republic budget.

In actuality, such was the case even in the formation of budgets for 1990, but with a minor change.

With the emergence of the cooperative movement and other forms of commerce, there appeared (even according to the existing laws of the Russian Republic and the accepted laws of the USSR) the possibility of supplementing the budgets with the inclusion of incoming taxes from cooperatives and other enterprise activity.

A large degree of independence was given to the local soviets of people' deputies by the law in the USSR, "On the general beginnings of local self-government and local economy in the USSR.":

- 1) The understanding was given that soviets' budgets were formulated, approved, and utilized by the soviets independently;
- 2) The understanding was given as to the minimum budget support for one resident, which is one of the equalization measures of working conditions in various local soviets.

In budgets at the primary level of self-government, receipts are included in full: 1) Income taxes from the citizens; taxes on the wage fund of collective farm workers; 2) land rents; 3) land taxes; and 4) local taxes and collections.

In local budgets the following receipts are also included in full: 1) territorial taxes; 2) income from payments made for rent of property that is held in commercial ownership in the local soviets, and other receipts.

Furthermore, it has been profitable for the local soviets to register small enterprises, since taxes from such enterprises fall fully into the budget of the soviet.

In the project for the law of the Russian Republic on the principles for 1991 budget formation, which was introduced at the session of the Supreme Soviet of the Russian Republic, several other principles were advanced for the local soviets' budget formation. Income taxes (as a more stable source of finance receipts) were proposed for oblast and autonomous soviets

that could then distribute this tax among nearby soviets. Analogously, taxes would be "gathered" from the profits of local enterprises, and the taxes would in turn be directed to local budgets. The oblast soviet will decide which pattern of receipts would be directed to each soviet at the lower level.

The Committee of the Supreme Soviet of the Russian Republic proposed in its remarks on the introduced budget plan, a transition period to secure the right for the supreme Soviet of the Russian Republic to determine fiscal distribution of taxes to the local budgets of various soviets.

THE WORK OF MUNICIPAL SOVIETS DURING MAY TO OCTOBER 1990

The slogan, "All power to the soviets," which arose in Russia after the February revolution of 1917, signified the liquidation of the diarchy. At that time, a coalition government was formed by the soviets and the provisional government.

Today, the situation is very different. Until recently, the Communist Party has ruled the structures of government. The organizational structure of the Communist Party almost completely duplicated that of the organs of power. Discussions today revolve around the issue of making the soviets equivalent to the legal and constitutional government. Elections are being held in the local soviets which should permit them the legal right to govern.

The goal of the municipal soviets and the soviets at other levels of power is to man the levers of real power. Unfortunately, this will not be as easy to achieve as was originally believed. Many voters and candidates had assumed that the arrival of new people in the soviets - not selected by appointment but rather by free votes -- would in principle transform this powerlessness. By the spring of 1990, such changes had not occurred.

There are a number of reasons for this. In the Soviet Union, not only politicians but public consciousness itself is saturated with authoritarian stereotypes and thinking. Here, a right is understood only as a rule, with prohibitions and punishments prescribed everywhere. It is not associated with justice and maintenance of a personal identity. In such an environment, the reduction of the old-style governmental commands has given birth not to an explosion of creative energy, but rather to an explosion of socially negative energy and to criminal activity. While it goes without saying that this section of society is quite small, it does influence the character of the society. Municipal soviets have suddenly had to address not only economic problems but also with a sharp increase in criminal activity.

Many new deputies entered the soviets with their own perceptions of problems and their own solutions -- solutions that are, for the most part, not serious. It must be recognized that this is a national problem. Whereas earlier, the only criteria for the voters was the candidates' relationship with the Communist Party, the soviets are not selected on a party basis any longer.

The deputies now in power are not part of one party with one platform. Each deputy has a party platform and a slogan.

The decentralization of power is not a simple matter, especially when power continues to be concentrated in the union government. Workers which always tactfully catch on to where the source of power is still hidden, and orient themselves toward Communist Party organs. Further, the non-party principle on which elections were held, led to a situation in which many soviet deputies represent national interests.

Local soviets have had to immediately assume and solve many problems: nationality questions, political instability and the absence of detailed legislation concerning the distribution of power that exists throughout the Soviet Union.

The existence of all these factors has made it difficult to determine in practice, in which municipal soviets democratic forces comprise a majority, and in which municipal soviets conservative factions have a majority. This is especially the case because the current municipal soviets contain various political tendencies. The future development of economic and political programs, however, will demand soviet activity, and soon it will be easier to determine the division between democratic and conservative forces. Issues on which the distinctions between the forces of conservatism and democracy will become evident include: the process of privatization, development of private businesses, depoliticization of law-enforcement agencies and the establishment of state programs for the needy and for retraining of the work force.

Under the current conditions of decentralization of power, the direction of economic reforms depends largely on the political position and organizational skill of the municipal soviets.

Municipal soviets will decide on major issues both in session and at presidium and committee meetings. The first act of the municipal soviets will be the formation of executive organs, the apparatus of the soviets themselves, the changing structure of the operational organs, the formation of the order of work of the soviets (regulations), and the work of the presidium and standing commissions.

One solution discussed in the municipal soviets regarding the economic situation is a system of protective measures: coupons for procedure, trade regulated by passport or special "buyers cards," food stuff cards. This solution attempts to defend the rights of the weak segments of the population (pensioners, multi-family households, and so forth.)

It goes without saying that in different cities, different issues command attention. Examples of these are the intention to create a free economic zone or a market infrastructure, the liquidation of the nomenclature's privileges, the privatization of housing and the establishment of private city newspapers.

APPENDIX VI (A)

SCHEDULE OF EVENTS

**"DEMOCRATIC GOVERNANCE AND CITY POLITICS"
MOSCOW, RUSSIAN FEDERATION
December 7-10, 1990**

THURSDAY, DECEMBER 6, 1990

All day Arrival of international delegation

FRIDAY, DECEMBER 7, 1990

All day Arrival of local participants

10:30 am NDI conference strategy meeting with international delegation

7 pm Dinner

SATURDAY, DECEMBER 8, 1990

9 am **OPENING PLENARY SESSION**

9 am ***OPENING SPEECHES BY LOCAL AND AMERICAN HOSTS***

Gavriil Popov, Mayor of Moscow
Nikolai Travkin, Member of Russian Federation Parliament; Committee
on Local Government
Brian Atwood, President, NDI

10 am ***INTRODUCTION OF ALL CONFERENCE PARTICIPANTS***

11:45 pm ***PANEL ON CITIES AND ECONOMICS***

Padma Desai, Economist

12:15 pm ***PANEL ON CITIES AND POLITICS***

Sergei Stankevich, First Deputy Mayor of Moscow
David Aaron, Member, NDI Board of Directors

1 pm Lunch

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2:30 pm **WORKSHOPS**

7:30 pm Dinner

SPEECH by Walter F. Mondale

SUNDAY, DECEMBER 9, 1990

8 am Breakfast with international delegation to discuss workshops

9 am **WORKSHOPS**

11:15 am **WORKSHOPS**

1 pm Lunch

2:30 pm **PRESENTATIONS BY WORKSHOP RAPPORTEURS**

Followed by a question and answer session
Moderator: Walter F. Mondale

7 pm Dinner

MONDAY, DECEMBER 10, 1990

10 am **INFORMAL GROUP DISCUSSIONS, HOSTED BY INDEM**

12:30 pm Farewell Lunch

CLOSING SPEECH BY CO-HOST

After lunch Local participants depart

2 pm International delegation meets to discuss reports

7 pm Dinner

APPENDIX VI (B)

INTERNATIONAL DELEGATION

"DEMOCRATIC GOVERNANCE AND CITY POLITICS"

MOSCOW, RUSSIAN FEDERATION

December 7-10, 1990

DAVID AARON
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former Deputy National
Security Advisor)

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NDI President

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Officer
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(former Mayor of
Lambertville, New Jersey)

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(Professor of Economics
Columbia University)

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Member, House of Lords
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Norwich, Norfolk
United Kingdom

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NDI Director of Research &
Soviet Union Program Manager

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former President, National League
of Cities)

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President
American Committee on U.S.-Soviet
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former Vice President, USA)

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HONORABLE LENNART RYDBERG

City Commissioner
City of Stockholm
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Sweden

DR. KLAUS VON DOHNANYI

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KENNETH D. WOLLACK
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NDI Staff

Nadine Avdenko
Soviet Project Intern

Britta Bjornlund
Soviet Project Assistant

Sean Carroll
Program Officer

Karen Middleton
Manager of Developmental Programs

Gerald Mitchell
NDI Advisor

APPENDIX VI (C)

SEMINAR PARTICIPANTS

**"LOCAL GOVERNANCE AND CITY POLITICS"
MOSCOW, RUSSIAN FEDERATION**

December 7-10, 1990

MOSCOW CITY SOVIET OF PEOPLE'S DEPUTIES

**Sergei Stankevich
First Deputy Mayor**

Deputies:

| | |
|-----------------|-------------------|
| Y.B. Abramova | Y.A. Nisnevich |
| F. G. Afanasyev | O.I. Orlov |
| E. A. Andreev | A.M. Pavlov |
| A. A. Ataev | D.R. Polliyeva |
| V. I. Brodin | P.V. Romonov |
| L. I. Dyakanov | Y.E. Shmirkov |
| M. E. Fleys | V.I. Sobolev |
| V. I. Girin | S.K. Stupar |
| Y. V. Khramov | N.D. Torchinskaya |
| A. F. Kochnev | E.S. Tverdkhlebov |
| P. P. Maġagonov | I.P. Yeremeev |
| S. K. Malenkov | A.S. Zheludkov |
| I. V. Muravyev | G.B. Zulumyan |
| T. V. Nichaeva | |

ST. PETERSBURG CITY SOVIET OF PEOPLE'S DEPUTIES

**Anatoly Sobchak
Mayor**

| | |
|--|--|
| Andrei Boltyanski Committee on International and Business Contacts | Vladimir Ivanov Committee on International and Business Contacts |
| Anatoli Golov Committee on Self-Governance and Operation of the Soviet | Anatoli Kosolapov St. Petersburg City Executive Committee |
| V.A. Danilov | |

UKRAINE REPRESENTATIVES

Sergei Konev
Kiev City Soviet
People's Deputy of the USSR
Chairman, Association of
Democratic Soviets

Vyacheslav Koval
Deputy Chairman
Dneprodzerzhinsk City
Soviet

Vasili Marchuk
Chairman, Rovno City Soviet

Oleg Kovalchuk
Deputy Chairman, Rovno City
Soviet

Boris Burginski
Chairman, Odessa City Soviet

RUSSIAN FEDERATION REPRESENTATIVES

Olga Savranskaya
Chairman
Dedovsk - Moscow Region

Vitali Chemikov
Chairman
Kaluga City Soviet

Valeri Fedorov
Deputy Chairman
Kaluga City Soviet

Sergei Fedorko
Deputy Chairman
Krasnodar City Soviet

Sergei Shcherbakov
Chairman
Mezhdurechensk-Kemerovskoy
Region

Oleg Ochin
Chairman
Novgorod City Soviet

Ivan Idinok
Chairman, Novosibirsk City Soviet
President of the Association of
Siberian Cities

Olega Savchenko
Chairman
Obninsk - Kaluzhskoy Region

Vyacheslav Glavatski
Deputy Chairman
Pskov City Soviet

Vladimir Choob
Chairman
Rostov-on-the-Don City Soviet

Valeri Ryumin
Chairman
Ryazan City Soviet

Nikolai Garankin
Chairman
Shchelkovo-Moscow Region

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Vladimir Anisimov
Chairman
Smolensk City Soviet

Gennadi Raikov
Chairman
Tyumen City Soviet

Vladimir Yermolenko
Deputy Chairman
Smolensk City Soviet

Valentin Kopasov
Chairman
Vorkuta City Soviet

Yuri Samarin
Chairman
Sverdlovsk City Soviet

Olga Zastrozhnaya
Deputy Chairman
Voronezh City Soviet

Anatoli Cherkasski
Chairman
Tomsk City Soviet

PEOPLE'S DEPUTIES OF THE SUPREME SOVIET OF THE RUSSIAN FEDERATION

Andrei Kozyrev
Minister of Foreign Affairs

Sergei Berdnikov
Chief Specialist, Committee on the
Functions of the Soviets of People's
Deputies and the Development of
Self-Governance

Nikolai Travkin
Chairman, Committee on the Work
of Soviets of People's
Deputies and Development
of Self-Governance

I. Bezrukov

Victor Balala

Alexander Blokhin

ADDITIONAL PARTICIPANTS

Sergei Plekhanov
Assistant Director
Institute of the US and Canada
(ISKAN)
Academy of Sciences of the USSR

Alexander Darchiev
ISKAN
Academy of Sciences of the USSR

Nikolai Shmelyev
People's Deputy of the USSR
Senior Economics Professor
Academy of Sciences of the USSR

Mikhail Krasnov
Institute of State and Law
Academy of Sciences of the USSR

Boris Mihailov
ISKAN
Academy of Sciences of the USSR

Lydia Shcherbakova
All-Union Central Institute of
General Medicine

APPENDIX VI (A)

SCHEDULE OF EVENTS

**"DEMOCRATIC GOVERNMENT AND MUNICIPAL FINANCE"
MOSCOW, RUSSIAN FEDERATION
May 12-13, 1991**

FRIDAY, MAY 10, 1991

- Afternoon Arrival in Moscow/Bus to Hotel Ukraine
- 4:30 pm Informal meeting with international delegation: Third floor lounge
- 7 pm Informal dinner, Hotel Ukraine

SATURDAY, MAY 11, 1991

2:30 pm **ORIENTATION SESSION**

NDI INTRODUCTION

Kenneth Wollack, NDI Executive Vice-President
Dr. Mahnaz Ispahani, NDI Program Manager

CONTEMPORARY SOVIET POLITICS

Thom Shanker, *Chicago Tribune*
Michael McFaul, Fellow, CISAC, Stanford University, NDI Advisor

LOCAL GOVERNMENTS IN THE SOVIET UNION

Elizabeth Reveal, Harvard University Project on "Strengthening Democratic Institutions"

Remarks by Moscow City Soviet representatives

- 7:30 pm Dinner, "U Pirosmeni Restaurant"

BRIEFING ON THE SOVIET ECONOMY

Marshall Goldman, Professor of Soviet Economics, Wellesley College

Team meetings of workshop partners to discuss training strategies

SUNDAY, MAY 12, 1991

- 9 am **OPENING PLENARY SESSION**

WELCOMING REMARKS

Sergei Stankevich, First Deputy Mayor of Moscow
Kenneth Wollack

INTRODUCTION OF INTERNATIONAL DELEGATION

Dr. Mahnaz Ispahani

INTRODUCTION OF PARTICIPANTS

Yuri Satarov, Director, INDEM

MUNICIPAL POLITICS AND THE MUNICIPAL ECONOMY

Sergei Stankevich

STATE OF THE SOVIET ECONOMY: AN AMERICAN PERSPECTIVE

Marshall Goldman

- 11:30 am **WORKSHOP SESSION I ***
- 1:30 pm Lunch: 1st floor lobby area
- 2:30 pm **WORKSHOP SESSION II ***
- 4:30 pm **WORKSHOP SESSION III ***
- 7:15 pm Dinner, "Praga Restaurant" hosted by Sergei Stankevich,

MONDAY, MAY 13, 1991

- 9 am **WORKSHOP SESSION IV ***
- 11:30 am **WORKSHOP SESSION V ***
- 1:30 pm Lunch, "Russkiy Restaurant"
- 3:30 pm **CLOSING PLENARY SESSION**
Presentations by workshop rapporteurs
- 8 pm Dinner, "U Margarity Restaurant"

CONCURRENT PRESENTATION OF FIVE WORKSHOPS ON THE FOLLOWING TOPICS:

Democratic Governing Structures
Budget Process, Information and Accounting
Budget Gaming
Revenue and Taxation
Property and Privatization.

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APPENDIX VII (B)

SCHEDULE OF EVENTS

**"DEMOCRATIC GOVERNMENT AND MUNICIPAL FINANCE"
ST. PETERSBURG, RUSSIAN FEDERATION
May 15-16, 1991**

TUESDAY, MAY 14, 1991

- 11:05 am **Arrival in St. Petersburg/Bus to Hotel Pribaltiskaya**
- A. D. Boryak, Chairman, St. Petersburg City Soviet External Affairs
Commission meets delegation**
- 3 pm **INTERNATIONAL DELEGATION VISITS ST. PETERSBURG CITY
SOVIET**
- A. N. Belyaev, Finance and Budget Commission
Y. Atlasov, Deputy Director, Executive Committee
V. V. Chervyakov, Commission on International and Economic Ties**
- 7:30 pm **Dinner, "Restaurant Daugava"**

WEDNESDAY, MAY 15, 1991

- 9 am **OPENING PLENARY SESSION "House of Friendship"**
- WELCOMING REMARKS AND INTRODUCTIONS***
**A.A. Sobchak, Mayor of St. Petersburg
Kenneth Wollack, NDI Executive Vice President**
- INTRODUCTION OF INTERNATIONAL PARTICIPANTS***
Mahnaz Ispahani, NDI Program Manager
- INTRODUCTION OF PARTICIPANTS***
A. D. Boryak
- STATE OF THE ECONOMY IN THE SOVIET UNION: AN AMERICAN
PERSPECTIVE***
**Marshall Goldman, Professor of Soviet Economics, Wellesley
College**
- 11:15 am **WORKSHOP SESSION I ***
- 1:30 pm **Lunch, "Restaurant Na Fontanke"**
- 3 pm **WORKSHOP SESSION II ***

- 4:45 pm Coffee Break
- 5:15 pm **WORKSHOP SESSION III ***
- 8 pm Dinner, Hotel Pribaltiskaya "Pushkin" Banquet Hall
Hosted by V.Z. Vasiliev, Deputy Mayor of St. Petersburg

THURSDAY, MAY 16, 1991

9 am **WORKSHOP SESSION IV ***

10:30 am **WORKSHOP SESSION V ***

12:30 pm **SESSION OF ST. PETERSBURG CITY SOVIET**

***THE EVOLUTION OF LOCAL GOVERNMENT IN THE UNITED STATES:
EFFICIENCY VS. DEMOCRACY***
Kenneth Wollack

THE DIVISION OF POWERS
Zev Yaroslavsky, Chairman, Budget and Finance Commission, Los Angeles City Council

WHY BALANCE THE BUDGET?
Hartmuth Wrocklage, Director and Permanent Secretary: Civil Service Finance Department; Hamburg, Germany

1:30 pm Lunch, "Restaurant Na Fontanke"

3 pm **CLOSING PLENARY SESSION**

PRESENTATIONS BY WORKSHOP RAPPORTEURS

A.G. Golov, Commission on the Questions of Self Governance, Self-Rule, the Work of the Soviets and State Construction
Y.P. Gladkov, Commission on Trade and Services
M.N. Mirzaliev, Deputy Chairman, St. Petersburg Oblast Soviet, Commission on Industry
A. Tekmanis, Chairman, Riga City Council

CONCLUDING REMARKS BY INTERNATIONALS

CONCURRENT PRESENTATION OF FIVE WORKSHOPS ON THE FOLLOWING TOPICS:

Democratic Governing Structures
Budget Process, Information and Accounting
Budget Gaming
Revenue and Taxation
Property and Privatization

APPENDIX VII (C)

INTERNATIONAL DELEGATION

**"DEMOCRATIC GOVERNMENT AND MUNICIPAL FINANCE"
MOSCOW/ST. PETERSBURG, RUSSIAN FEDERATION
May 12-16, 1991**

MR. GEORGE CARVALHO
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MR. BOGDAN JANKOWSKI
Director
Foundation in Support of Local Democracy
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15-054 Bialystok
Poland

PROFESSOR MARSHALL GOLDMAN
Associate Director
Russian Research Center
Harvard University
Archibald Cary Coolidge Hall
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Cambridge, MA 02138 USA

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MS. RITA HALE
Head - Local Government Division
Chartered Institute for
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MS. BETSY REVEAL
Former Finance Director for City of
Philadelphia
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MS. LYNN HAMPTON
Metropolitan Washington Airports
Authority
Finance Division
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Advisor to the Undersecretary of State
for Local Government Reform
Council of Ministers Office
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DR. MAHNAZ ISPAHANI
NDI Director of Research
& Program Officer

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HONORABLE TOM VOLGY
Mayor of Tuscon
255 West Alameda
P.O. Box 27210
Tucson, AZ 85726-7210 USA

MR. ZEV YAROSLAVSKY
Chairman, Budget and Finance Committee
Los Angeles City Council
200 N. Spring Room 318
City Hall
Los Angeles, CA 90012 USA

MR. KENNETH WOLLACK
NDI Executive Vice-President

**HONORABLE HARTMUTH
WROCKLAGE**
Finanzbehörde Hamburg
Gänsemarkt 36
2000 Hamburg 36
Germany

NDI Staff

Nadine Avdenko
Program Assistant

Britta Bjornlund
Program Assistant

Gabe Hutter
Program Assistant

Karen Middleton
Manager of Development Programs

Michael McFaul
Special Advisor to Project

Michael Stoddard
NDI Project Associate

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APPENDIX VII (D)

SEMINAR PARTICIPANTS

**"DEMOCRATIC GOVERNMENT AND MUNICIPAL FINANCE"
MOSCOW, RUSSIAN FEDERATION
May 12-13, 1991**

MOSSOVIET

Sergei Borisovich Stankevich, First Deputy Chairman

Budget and Finance Commission

Alexander Alexandrovich Plokhin, Chairman

Marina Pavlovna Astafyeva

S.V. Chernyak

Maria Edgarnovna Fleis

Anatolii Mikhailovich Glushin, Secretary

Vladislav Yanovich Katchan

Kemer Borisovich Norkin

Vyacheslav Vladimirovich Parinov

V.A. Prokhorov

Pavel Vitalyevich Romanov

Yuri Vladirovich Shmirkov

Main Financial Department, Executive Committee

Anna Nikitichna Fetisova, Deputy Chairman

Yuri Viktorovich Korostelev, Chairman

Vladimir Petrovich Shiraev, Deputy Chairman

Serafim Mikhailovich Yarnix, Deputy Chairman

Commission for the Freedom of Conscience and Religious Confession

Valery Vasilivich Borshchev, Chairman

Commission for Political-Economy

Anatolii Mikhailovich Glushets, Secretary

Interdepartmental Commission of the Mossoviet for the Creation of New Enterprises

Vladimir Ivanovich Sobolev, Chairman

Sub-Committee for Banking and Insurance Matters

Viktor Aleksandrovich Uchitel, Chairman

Sub-Committee for Pricing

Evgenii Sergeevich Tverdokhlebov, Chairman

Department of Information

Anatolii Alexandrovich Polibin, Director

Moscow Oblast Soviet

Andrei Alekseevich Semakov, Deputy Chairman of the Commission on Economic Reform

V.I. Tikhonov, Deputy Chairman, Planning and Budget Commission

Kirill Yankov, Chairman of the Commission on Economic Reform

I.G. Zorin, Chairman, Planning and Budget Commission

Moscow Oblast Soviet, Executive Committee

N.A. Lavrova, Chairman, Department for Economic Reform, Main Financial Department

MOSCOW DISTRICT SOVIETS (Raions)

Krasnogvardeiskii District

Vladimir Eduardovich Gefeinider, Deputy Chairman

Vladimir Nikolaevich Smishnikov, Chairman

Krasnopresnenskii District

Anatolii Vasilivich Pochezhirtsev, First Deputy Chairman of the Executive Committee

Oktyabrskii District

Ilya Iosifovich Zaslavski, Chairman

Sergei Lakeev, Chairman of the Planning and Budget Commission

David Matveevich Shusterman, Chairman of the Council of Experts

SUPREME SOVIET OF THE USSR

Yuri Eduardovich Andreev, People's Deputy; Deputy Chairman, Higher Economic Council of the Supreme Soviet of the RSFSR; General Director, Fund for the Revival of Russia

Nikolai Semenovich Sazonov, People's Deputy; Deputy Chairman of the Committee of the Presidium of the Supreme Soviet of the USSR for Work with Social Organizations

SUPREME SOVIET OF THE RSFSR

Alexander Viktorovich Blokhin, Chairman of the Sub-Committee of the Committee on the Work of the Soviets

Victor Dmitriev, People's Deputy of the RSFSR, Co-Chairman of "Democratic Russia", member of the Committee on the Work of the Local Soviets

Sergei Nikolaevich Ushenkov, People's Deputy of the RSFSR, Chairman of the Sub-Committee of the Committee of the Supreme Soviet RSFSR for the Study of Public Opinion

UNION OF RUSSIAN CITIES

Valeri Vasilivich Ruimyn, President

Konstantin Nikolaevich Nikulin, Deputy President

Yevgeni Fedrovich Guzev, Director of International Relations

RUSSIAN FEDERATION CITIES, City Soviets

Dedovsk (Moscow Oblast)

Olga Leonidovna Savranskaya, Chairman

Svetlana Valentinovna Gafurova, Chairman of the Commission for Ecology, member of the Planning and Budget Commission

Irina Ivanovna Istomina, Chairman, Planning and Budget Commission

Ivanovo

Boris Yusifovich Mints, Chairman of Commission for Economic Reform

Krasnodar

Vasilii Ilyich Matiyuk, Director of the City Finance Department

Kaluga

Valerii Aleksandrovich Fedorov, Deputy Chairman

Naberezhnie Chelni

Raisa Petrovna Romanova, Chairman of the Executive Committee

Novgorod

Aleksander Anatolievich Vasiliev, Deputy Chairman

Novosibirsk

Lubov Timofeevna Khoroshko, Deputy Director of the City Finance Department

Obninsk Kaluzhskoi Oblast

Oleg Vitalevich Savchenko, Chairman
Yuri Vasilevich Kirillov, Assistant to the Chairman

Rostov-on-the-Don

Petr Petrovich Mostovoi, Deputy Chairman of the Department of Municipal Property
Valerii Petrovich Musienko, Chairman of Planning and Budget Commission
Yuri Makhailovich Raspopov, Director of Tax Inspection
Valerii Nikolaevich Vladiko, Chairman of the Financial Department

Ryazan

Mikhail Lazarovich Maryanovskii, Director of the City Finance Department
Sergei Vladimirovich Voblenko, Deputy Chairman of the City Soviet

Sverdlovsk

Aleksei Nikolaevich Goncharenko
Boris Isakovich Makaranets

UKRAINE

Dnepropetrovsk

Alexander Vladimirovich Ryabchenko, Chairman of the Commission for Budget and Economy

Ivano-Frankovsk

Zinovii Vasilevich Shkutyak, First Deputy Chairman of the Executive Committee of the City Soviet

Kharkov

A.G.Karavainii, People's Deputy
V.P. Slusarenko, People's Deputy

Kiev

Sergei Alexandrovich Korablin, Research Fellow, Institute of Economy, Academy of Sciences, Ukrainian SSSR
Lubov Sergeevna Krilova, Assistant Deputy Chairman of the Keiv City Soviet
Yuri Stepanovich Kugatkin, Secretary of the Finance and Budget Committee
Victor Borisovich Marchenko, People's Deputy
Vadim Kondratevich Murzak, Director of the Financial Department of the Executive Committee of the Moscow District Soviet

Valerii Mikhailovich Oparin, Assistant Professor of the Finance Department, Kiev Institute of People's Economy, Consultant to the Commission of Economic Reform
Mikhail Borisovich Pogrebinskii, Head of Department for Economic Reform, Executive Committee of the Kiev City Soviet
Nikolai Nikolaevich Shcherbin, Member of the Commission on Economic Reform
Eduard Gertsovich Varro, Member of the Budget and Finance Committee
Alexander Leonidovich Zavada, People's Deputy of the Ukraine Soviet, Chairman of the Subcommittee on Economic Reform of the Kiev City Soviet

Odessa

Andrei Semenovich Krupnik, People's Deputy

BYELORUS

Brest

Stanislav Alexseevich Yershov, President of the Association of International Economic Cooperation

Minsk

Alexander Mikhailovich Gerasimenko, Chairman

MOLDOVA

Kishinev

Viorel Ivanovich Ciubotaru, Head of the UVS City Soviet
Nikolai Kharlampievich Kostin, Chairman

APPENDIX VII (E)

SEMINAR PARTICIPANTS

**"DEMOCRATIC GOVERNMENT AND MUNICIPAL FINANCE"
ST. PETERSBURG, RUSSIAN FEDERATION
May 15-16, 1991**

ST. PETERSBURG CITY SOVIET

A.A. Sobchak, Chairman
A.Y. Sungurov, Chairman, Commission on Sciences
A.B. Boryak, Chairman, Commission on Foreign Relations
A.E. Nikolaev, Chairman, Committee on Foreign Economic Ties

Commission on the Questions of Self-Governance, the Work of the Soviets and State Construction

V.D. Barkovskii
V.A. Danilov
A.G. Golov
A.Y. Karpov
O.N. Nikolaev
S.A. Popov
A.B. Shishlov

Commission on International and Economic Ties

V.V. Chervyakov

Commission on Finance and Budget

A.N. Belyaev, Chairman
S.A. Popov
A.K. Yegorov

Commission on Production

A.A. Kalinin
A.A. Reshetov

Commission on Conversion

P.F. Kopeykin, Deputy Chairman
Y.E. Solodovnikov

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Commission on Industry

P.S. Filippov
R.N. Loparev
V.A. Vorontsov

Commission on Trade and Services

Y.P. Gladkov
V.S. Zibarev

Commission on the questions of socialization and social-political organization

A.B. Boltyanski
V. Lapinsky

Commission on Economic Reform

A.G. Kartashov
A.N. Khromov
Y.Y. Lyamin
A.Y. Tsytsyryva

Constant Commission

G.A. Gordienko, Deputy Chairman

EXECUTIVE COMMITTEE OF THE ST. PETERSBURG CITY SOVIET

Ecological Committee

K.A. Yerukhin

Economic Reform Committee

S. Kyfenko
L.E. Limonov
M.E. Osherov
S.A. Ryabov, Deputy Secretary
I.V. Veisman

Main Finance Department

D.V. Pankin
G.L. Protasova
A.E. Zatsepina

Planning Committee

N.N. Konstantinov, Deputy Chairman

Department of Personnel

A.A. Olyanig

Department of Affairs

A.C. Mirvoda

Committee on Human Rights

S.K. Kezbekov

St. Petersburg International Center of Personal Development

Y.N. Atlasov, Chairman of Presidium

Standing Committee on Glasnost and Media

V.N. Monakhov, Deputy Chairman

BALTIC REPRESENTATIVES

Andries Tekmanis, Chairman, Riga City Council

Per Sterminsh, Local Authority Section Chief, Latvian Supreme Council

Vinkas Verukaitis, Vilnius City Council

Klausa Wanas Petra

Ari Mantis Dragunevicius, Kaunas City Council Energy Committee

ST. PETERSBURG OBLAST REPRESENTATIVES

M.N. Mirzaliev, Deputy Chairman, Commission on Industry

E.R. Novikov, Chairman, Executive Committee, Frunzenskii Raion Soviet

G.A. Oksutik, Deputy Chairman, Commission on Economic Reform, Planning, and Finance

V.S. Orlova, Chairman, Otranskii City Soviet, Kirov Raion of the St. Petersburg Oblast

V.T. Snigerov, Chairman, Committee on Economic Development, Krasnogvardeyski Raion Soviet;

S.P. Zubrov, Foreign Relations of the Executive Committee

SUPREME SOVIET OF THE RUSSIAN FEDERATION

V.V. Dmitriev, Committee on the Work of Soviets of People's Deputies and the Development of Self-Governance

APPENDIX VIII

DOCUMENTS TRANSLATED INTO RUSSIAN

"DEMOCRATIC GOVERNMENT AND MUNICIPAL FINANCE" MOSCOW/ST. PETERSBURG, RUSSIAN FEDERATION May 12-16, 1991

- 1) *Code of Ethics*, International City Management Association (ICMA)
- 2) "Budgeting," *Management Policies in Local Government Finance*, (ICMA)
- 3) "Making Policy Through the Budget," *Elected Official's Handbook*, (ICMA)
- 4) "Intergovernmental Relations," *Elected Official's Handbook*, (ICMA)
- 5) "Budgeting," *Elected Official's Handbook*, (ICMA)
- 6) Glossary of Financial Terms, NDI compilation
- 7) *Elected Officials Guide to Government Finance*, Government Finance Officers Association (GFOA)
- 8) *Maximizing Collection of Revenues: Newark, New Jersey*, (ICMA)
- 9) Executive Budget Summary: City of Chicago, 1991
- 10) Charts and Budgets from 1991: New York, New York; Washington, DC; Chicago, Illinois; and Los Angeles, California
- 11) "Privatization in Eastern Europe," paper commissioned by NDI from William Stone, Harvard Law School
- 12) *Local Self-Government Act*, Poland
- 13) "Government Structures: Netherlands, Sweden, Germany and the United States," *The Structure of Local Government in Europe*, by Eileen Martin Harloff; Great Britain and Poland, *Political Handbook of the World 1990* edited by Arthur S. Banks
- 14) Participant papers for May 1991 local government conference:
 - The Budgeting Process in Santa Clarita, CA, George Carvalho
 - Local Government in the United Kingdom, Rita Hale
 - Local Government Taxation, Lynn Hampton
 - Local Government & Finance in Sweden, Göran Långsved
 - Fundamentals of American Municipal Finance & Glossary, Elizabeth Reveal
 - Budget, Revenue, and Taxation in Poland, Czeslawa Rudzka-Lorentz
 - Principles of Budgetary and Finance Policy in Germany as Practiced by the Free and Hanseatic City of Hamburg, Hartmuth Wrocklage
- 15) NDI Briefing Materials: Workshop memo, agenda, participant list and biographies

Note: The Moscow, St. Petersburg and Kiev city budgets were translated into English for use by the international participants.

APPENDIX IX

QUESTIONS PREPARED FOR NDI SEMINAR "DEMOCRATIC GOVERNMENT AND MUNICIPAL FINANCE" MOSCOW MAY 12 - 13, 1991 ST. PETERSBURG MAY 15 - 16, 1991

Provided by Alexander Plokhin
Chairman of Moscow City Soviet Budget and Finance Commission

1. THE FORMATION AND EXECUTION OF THE CITY BUDGET

- Structure of the city budget
- Order of planning, approval, control of execution
- Principles of budget formation
- Base sources of budget replenishment
- Financial sources of basic city program

2. TAX SYSTEM

- Basic goals and principles of the formation of tax policies
- Structure of tax
- Distribution of taxes to the state and city budget
- List of taxes and levies with fixed rates
- Role of taxes in the activization of production
- Role of taxes in the regulation of prices
- Mechanism of collecting taxes, the size of penalty sanctions
- Sphere of activity, means and objects of benefit taxation

3. TAX INSPECTION

- Subordination, structure, equipment
- Presence of municipal tax inspection
- Labor payment and the corruption prevention system
- Regulation provisions of municipal tax inspection activities

4. BANKING

- Structure of banks (state and commercial)
- Investment and credit policy
- Personnel
- Sphere of activity
- Possibility of cooperation with Moscow in the creation of enterprises with combined capital and joint venture firms

5. INSURANCE

- Structure, sphere and principles

6. PRICE REGULATION POLICY

- Public transportation prices
- Anti-monopoly policy
- Municipal regulation of prices
- Models of social protection for low-income individuals from high prices
- Mechanisms of implementation

7. STRUCTURE OF MUNICIPAL LEGISLATIVE AND EXECUTIVE BODIES

- Division between legislative and executive power
- Size of the municipal soviet per 1,000 residents
- Size of executive apparatus per 1,000 residents
- Work principles and regime

8. SOCIAL PROGRAMS

- Listing
- Financial sources
- Mechanism of implementation

APPENDIX X

QUESTIONS POSED DURING NDI SEMINAR DEMOCRATIC GOVERNMENT & MUNICIPAL FINANCE MOSCOW May 12-13, 1991 ST. PETERSBURG May 15-16, 1991

Provided by Zev Yaroslavsky
Chairman of Los Angeles City Council Budget and Finance Committee
Leader of "Democratic Governing Structures" Workshops

SESSION I - MOSCOW

- 1) How do the national and state decisions that affect your city get made? Is your city consulted? Is your city mandated to pay for the new responsibilities imposed by the higher level of government?
- 2) Is there any level of government that is below that of the city government in Los Angeles or Tucson?
- 3) What happens if the national government imposes a requirement on your city which compels the city to build a plant or factory, and once under construction, a group of citizens raise objections and demand the project be stopped? How do you, at the local level, respond? Do you have an option?
- 4) Is the city required to compensate the federal government if the former takes an action that adversely affects the finances of the latter?
- 5) Do cities engage in price controls?
- 6) What kind of working relationship does the city and its elected officials have with its Members of Congress and Senators?
- 7) How does the city finance employment programs?
- 8) Are there enterprises (businesses) that are owned by the city? Does the city enter into business relationships?
- 9) How does the city deal with hard currency issues?
- 10) Do you believe that cities should get into private business?
- 11) How is municipal property managed? Who decides what can be done with it and on it? Are taxes generated on such lands?

SESSION II - MOSCOW

- 1) Does the mayor appoint his administration subject to the city council's confirmation?
- 2) In Moscow there are 30 subdistricts, each with its own budget, in addition to Moscow as a whole. Do you have that kind of system in Los Angeles?
- 3) How prestigious is it to be a member of the city council in your city? Mayor?
- 4) What's the procedure for getting rid of elected officials who haven't met the expectations of the public?
- 5) What are the tax rates that the city can set?
- 6) Are the sources of revenue the city receives from higher levels of government permanent or subject to change from year to year?
- 7) How many people does the city have on staff who collect taxes? (The questioner, from Rostov on Don, stated that in his city they have 950 tax collectors).
- 8) Is there a conflict of interest in being mayor and simultaneously sitting on the city council?
- 9) How many committees do the city councils have?
- 10) As a rule, is a politician expected to run for re-election after his/her term is up, or are they expected to retire after one term?
- 11) Are elected officials allowed to be in business as individuals while serving their term of office?
- 12) What are the purposes of the National League of Cities?

SESSION III - MOSCOW

- 1) How can the mayor operate when in order to make an appropriation he has to wait for the city council to act?
- 2) How many staff does the city council have to analyze the budget?
- 3) How do you attract competent people, and how much do you pay?
- 4) How is the mayor's power constricted?

- 5) What can the mayor and council do and what can't they do? Can the city council take away the mayor's power by a 2/3 vote? Where are the powers derived from?
- 6) Is the Finance department independent? Who collects the taxes in the city?
- 7) Can the city be involved in business? Can it invest in the private sector? Can it make investments in deals that have a limited liability?
- 8) Can a council member be a businessman or entrepreneur while in office?
- 9) Can you send us a copy of your city's conflict of interest law?
- 10) How do you nominate the mayor? How does he get on the ballot? How do you protect against a famous individual being a certain winner in an election?
- 11) Is it not better for Soviet local governments to be established by electing top leadership (mayor and deputy mayor) and have them select the rest of the government? At least in the short run due to the lack of expertise in governance in the USSR at present?
- 12) Soviet cities don't have a charter, any solid tradition of a strong mayor or tradition of a free press. The USSR is transitioning from a state run to a market economy which may create problems and abuses. Don't Soviet cities need a transition period of some sort?
- 13) What city monies can be used to invest in businesses? Can you give an example?

SESSION IV - MOSCOW

- 1) Who decides what the local governmental system is to be -- mayor/council vs. city manager, etc.?
- 2) In large cities, are there any administrative bodies to administer the council districts?
- 3) In the city manager system, what is the relationship between the manager and the Mayor?
- 4) Why can't a Mayor do without a manager? Why does he need a manager? What does the Mayor do and what does the manager do?
- 5) What are the criteria for having a full-time mayor as opposed to a part time-mayor?
- 6) In the past, the Soviet legislative branch existed on paper and the executive had all of the power. Now there are people who want the legislative branch to have all of the power. Should Soviet local government be structured in one or the other form, or should there be a sharing of power? Is the tension and conflict that will ensue a good thing or not?
- 7) Who is responsible for preparing the budget?

- 8) If the public is dissatisfied with the elected officials, can they be recalled?
- 9) When the council is re-elected, is it all elected at once or are the terms staggered
- 10) Are there any restrictions on an elected official's ability to be involved in business or investments on his/her own?
- 11) Is the salary of city officials set to compensate for the legal restrictions on income?
- 12) When the city gets federal funds, does it ask for them or does it just receive it as an entitlement with no application necessary? Are the funds which the city receives categorical in nature, or can the funds be used for anything?
- 13) If one council member represents 200,000 (Los Angeles), how does that member stay in touch with his constituents? Is it hard for the public to get to see the council member?
- 14) Who pays the salary to council aides?
- 15) As a practical matter, what happens when there is a dispute between the political leadership and the head of a department, say of the fire department, who is a civil servant? How is the dispute resolved? Who ultimately prevails?
- 16) How does your city estimate revenues? How accurate are your estimates?

SESSION V - MOSCOW

- 1) Are there professional requirements to be a member of the city council? What are the qualifications?
- 2) What are the responsibilities of the city council?
- 3) How many people can run for any one office?
- 4) How do city officials interact with the Federal elected officials?
- 5) Describe your committee structure? Is being a council member a full time job?
- 6) Does the U.S. Constitution provide restrictions or requirements for running for office? Age? Ethnicity?
- 7) How many committees do you have on your council?
- 8) When you have sessions, who organizes the meetings? Who sets the agenda? What are the powers of your speaker (president)?

- 9) Describe the relationship between different levels of government? Can higher levels of government affect local government?
- 10) Describe how cities lobby the higher levels of government.
- 11) There is a league of cities that is a confederation of American cities; is there a league of counties and states as well?

SESSION I - ST. PETERSBURG

- 1) What happens when there is a dispute between the mayor and the council, and it is not resolved? In order to resolve this problem, there is a proposal in St. Petersburg to give the council president the power to disband the council?
- 2) How does the recall process work in Los Angeles?
- 3) American cities have lobbyists in the state capitals and in Washington, D.C.; don't you trust your members of congress?
- 4) What is the ratio of the staff to population? How is the city staff organized?
- 5) Do cities have skill training programs so that the employees can advance with the state of the art?
- 6) Is there a psychologist on the mayor's staff?
- 7) When is it appropriate for a city to adopt a charter on its own?
- 8) Does the mayor have the right to engage in commercial transactions, and how can the city council monitor this?
- 9) Who decides who gets a contract? (construction, etc.)
- 10) Should privatization come before the restructuring of local government in the USSR?
- 11) Is the public interested in the mayor's personal finances and personal income?
- 12) What does the federal and state law preclude the cities from doing?

SESSION II - ST. PETERSBURG

- 1) How many members serve on the city council's committees?
- 2) How do you recall a mayor?

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- 3) Can you get people to withdraw their signature from a recall position once the petition is being circulated?
- 4) What are the terms of the mayor and the council?
- 5) In Poland, who resolves disputes between the council and the chief administrator?
- 6) In Poland, what relationship exists between the president of the council and the council as a whole? How do they resolve disputes? Can the president be removed?
- 7) In Bialystok, are elections for the council held by district or by list?
- 8) In Los Angeles, what are the names (functions) of each of your committees?
- 9) Are committee actions only recommendations to the full body, or do they carry a power of their own?
- 10) Is a councilman a full time job? How much do you get paid, and how does this pay compare to the average income in your city?
- 11) Who assigns the members of the council committees?
- 12) How do you fill a vacancy in an elective office? And if the prior holder of that office had a particular expertise (finance, transportation, etc.) how do you ensure that the person who fills the vacancy will possess that same expertise?
- 13) What is the role of political parties in municipal elections?
- 14) When there is a need for additional funds (when there is a deficit), can the city borrow money for any purpose?

SESSION III - ST. PETERSBURG

- 1) How are the budget documents written? Who prepares them?
- 2) Is there a deadline for overriding the veto of the mayor?
- 3) To whom is the city administrative officer subordinated?
- 4) Who appoints the heads of the city's departments, and how large is the appointing authority's selection pool?
- 5) Who decides how detailed the budget should be?

- 6) How much do the actual expenditure programs and revenue receipts during the year vary from the originally approved budget?
- 7) What determines the number of members on the city council?
- 8) In Latvia and Lithuania there is a movement for the council president to be both the legislative and executive leader; do you have such a system?
- 9) Does your city council have a president?
- 10) What are the terms of the mayor and the city council?
- 11) Is Los Angeles unique among American cities in having its department heads as part of the civil service system?
- 12) How are the criteria for eligibility in taking a civil service exam determined?
- 13) Is there a method by which to hold the mayor accountable during his term? Is there a recall procedure?

SESSION IV - ST. PETERSBURG

- 1) What are the priorities in L.A.'s city budget for next year?
- 2) Inasmuch as there are so few council members in Los Angeles compared to USSR cities, are they full time? How are the council committees established?
- 3) What proportion of legislation is prepared by the executive as opposed to the legislative branch?
- 4) What is the optimum number of council members a city legislative body should have?
- 5) How does a council or one of its members get information? How large are the staffs? How does the council get competent staff?
- 6) How are department heads appointed? Do they have to be confirmed by the city council once they are selected by the mayor?
- 7) Does the mayor ever politically hold the council responsible for its vote to confirm a poor department head?

APPENDIX XI - A

EXCERPTS FROM NDI TRAINERS' REPORTS

ZEV YAROSLAVSKY
ST. PETERSBURG, RUSSIAN FEDERATION
1992

At the request of the National Democratic Institute for International Affairs (NDI), I was asked to conduct consultations for a period of one week on budget and governance issues with members of the Budget and Finance Commission of the Moscow and St. Petersburg city councils. I also travelled to Kiev for the same purpose at the invitation of the chairman of the Subcommittee of Economic Reform of the Kiev City Council.

These meetings were arranged as a follow-on to the May, 1991, NDI conference "Democratic Governance and Municipal Finance," held in Moscow and St. Petersburg (then Leningrad), at which local elected officials from throughout the USSR were present for a series of seminars on local government. The follow-on meetings were conducted in Moscow from October 7-11, in Kiev from October 11-13, and in St. Petersburg from October 14-16. On October 11 in Moscow, I also conducted a seminar for the Union of Russian Cities with seven local elected officials from Stavropol, Cheryabinsk, Rostov-on-Don and Slavyansk.

In my capacity as chairman of the Los Angeles City Council Budget and Finance Committee I was invited by leaders of the budget commissions of the three cities to focus on two principal issues, governing in a system of checks and balances, and budgeting in a government with separate branches and powers.

The issue of governance focused on a series of questions that were common to all of the cities: How do the legislative and executive branches of government function together? How is information gleaned and shared? How do decisions made by one branch of government over the objection of the other get implemented? How does the system of "power sharing" between the two branches affect the ability to make decisions and act in a timely manner?

The budgetary issues had three dimensions: First, the challenge of how to project revenues and expenditures in an economy which is experiencing 1-2 percent inflation daily; second, the lack of independent local sources of revenue and the dependence of local government on the republic; and third, the ability of the legislative branch of local government to get reliable and timely information on revenues and expenditures so that it can make informed decisions in the budgetary process.

During the May conference, I spent a significant amount of time with the Moscow and St. Petersburg budget commission members, to whom I distributed copies of the city of Los Angeles budget and associated documents. The purpose of so doing was to show the level of detailed information the legislative branch is entitled to receive and upon which it and the executive branch rely in formulating a budget. The public budget documents available from

Moscow and St. Petersburg numbered less than a dozen pages, while a typical American city budget can run more than 1,000 pages. This contrast starkly depicts the lack of engagement that Soviet local officials have historically had in budget matters.

When I returned to Moscow and St. Petersburg in October, I was pleasantly surprised to see how committed the local legislators were to involving their branch of government in the budgetary process. I was informed by members of both city councils that they had taken to heart what I and other NDI seminar participants had conveyed in May, and they had begun to insist on a budget process that would insure that detailed and meaningful information would be shared with the city council. Moreover, they were insisting upon a role in the decision making process in the appropriation of funds.

The quarrels between the mayors of Moscow and St. Petersburg with their city councils have become legendary. It is not uncommon for the Mayor to issue an edict and have the council "rescind" it shortly thereafter. Since the election of the city councils in 1990 and the Mayors in 1991, the friction between the executive and legislative branches has intensified.

It is fully understandable that there should be this kind of tension between the executive and legislative branches of government in Russia and the other republics. There is no tradition of separation of powers in the former Soviet Union. The legislative branch, to the extent it has existed, has been nothing more than a rubber stamp for the central government.

In the aftermath of the first freely held elections in Russia and Ukraine, the newly elected local legislators feel they have earned the right and the legitimacy to share in the power of running cities. The mayors of Moscow and St. Petersburg, who were elected a year or so after the council elections, argue that their legitimacy is superior inasmuch as they were more recently elected - and by citywide majorities. What is unfolding, in fact, is a sparring between two branches of government which have not had to coexist or share power in the past.

Whether the different branches can learn to work together through the sharing of power and responsibility is an open question. The country is experiencing deep structural political and economic problems. The system of distribution of food, other goods, and services has broken down. The lines for food are getting longer; the people's tempers are getting shorter; and their patience is wearing thin. The potential political consequences of this situation are self-evident.

Meanwhile, the situation is complicated by the commitment the Russians apparently have to privatization - the conversion of publicly owned enterprises and housing to private ownership. How to value property as it is placed on the market for the first time; how to insure that private ownership accessible to the masses, not just those who have accumulated wealth; how to tax property once it's in private hands - these are some of the questions with which the republics must wrestle. This transition would be complicated in a normal and stable economic situation, but it is exacerbated by the fluid political and economic situation extant in Russia today.

In this environment, there is very little patience for the deliberative aspects of democratic government. There is an urgency to the country's problems, and there is a widely held view, even, among ardent democrats, that power needs to be vested principally in the executive with

legislative oversight only. Decisions need to be made so that the country can get moving again. The country can't afford the luxury of the trappings of democracy -- interminably long debates in oversized city councils.

Finally, while the executive and legislative branches are feeling each other out at the local level, the intergovernmental relationship between the republic and local government has become the focus of attention. I had the opportunity of meeting with several members of the Russian parliament's local government committee, including its leader, Victor Dmitriev, and members Alexander Kostyukov and Sergei Polozkov.

Historically, the republic and the central government have played the pivotal role in the funding of local government. Now, some of the newly elected local officials are seeking their own, assured independent source of revenue. This objective is not shared by many officials at the republic level, who would prefer to continue to have the locals on a short leash.

The implications for democracy and of granting cities some financial and political independence are important. The less centralized the political and governmental decision making process is, the less prone will be the country as a whole to authoritarian and central control. Independent local government can strengthen the fabric of democracy. However, given the pressures on all governments to get the country back on track, it is unlikely that any serious change in the dominance of the republics over the cities and regions will evolve.

Russian city officials can benefit by consultations which focus on real world examples of budgets and governance. Samples of budgets, tax codes, and privatization strategies would be useful. Example of laws which delineate the relative responsibilities of states, regions, and cities would be helpful as well.

It is clear that NDI has already had a substantial impact on the development of local government in Russia and neighboring republics in the short time they have been on the scene. It was clear from discussions in Moscow and St. Petersburg that the May conference made a lasting impression on key decision makers. The new practitioners of the democratic process are learning by doing; and much of what they are doing is an outgrowth of NDI consultations.

NDI has developed a reputation of providing meaningful and concrete assistance to city officials in Russia and the neighboring republics. An ongoing, perhaps permanent, NDI presence in Russia and Ukraine would be a worthwhile objective for the immediate future.

APPENDIX XI - B

EXCERPTS FROM NDI TRAINERS' REPORTS

DON BENNINGHOVEN
KIEV AND DONETSK, UKRAINE
1992

OVERVIEW

Having visited Kiev in 1975, my first and lasting impression was of the tremendous change in the openness, interest and intelligence of the people associated with the consultation, from the members of the city soviets to the media representatives.

The consultation included six days of seminars, involving representatives of 23 cities, one press conference (Donetsk), two television appearances (Kiev and Donetsk), and one radio interview (Donetsk).

The Association of Democratic Councils of Ukraine, under the staff direction of Natalia Shumanskaya, has established an acceptable presence. Even though her formal academic training was as a physicist, she seems to have an excellent grasp of the "helpful" role of an association and seems comfortable, along with the city leadership, to plan a coordinating and informational-sharing service.

Overall, I thought that the assistance being provided by NDI was being accepted with appreciation. City officials were eager to learn of American experiences, both good and bad, and the Association of Democratic Councils could, if properly supported, play a major role for assisting cities in achieving a compatible relationship with an independent national Ukraine.

CONSULTATIONS/SEMINARS

Meeting with NDI Program Assistant Nadine Avdenko, Natalia Shumanskaya, and Valeriy P. Rubtsov, Deputy Chairman for Economic Reform of the Kiev City Council, we developed a three-day, six-session, curriculum for the northern Ukraine cities. (These seminars were conducted Wednesday, Thursday, and Friday, following the trip to Donetsk.) The three principal topics chosen were local self government and options for sharing responsibilities and authority with the parliament, legislative/executive government models, and budgeting and finance/citizen participation.

Nadine and I then met with Sergei Fedorchik, Chairman of the Donetsk City Council Committee on International Relations, and our interpreter and planned similar sessions in Donetsk for Sunday, Monday and Tuesday.

The first meeting in Donetsk was with the deputy chairmen of the soviet who were well informed and seemed interested. They raised a wide range of questions which accurately reflected the frustration of their current situation. These questions were dealt with in two 3-hour

sessions. Specifically, the questions followed a discussion of local self government as practiced in the United States, including constitutional and local charter authority, and a general description of budgeting, cost allocation and local government organization structure.

Specific questions included:

1. How do you determine boundaries of cities?
2. What are the responsibilities for following environmental standards? What are the penalties in the U.S. if not followed?
3. What are some of the options used to transfer public property to private use?
4. How do you reconcile state power with local self government?
5. How is "sharing" (power) determined in California? Along with power sharing, what are the options for financial sharing?
6. How do you control the size of your staff?
7. Are elected officials "above the law" in the U.S.? What rights do they have that differ from a citizen?
8. How, in California, do you finance sociological research, and research on public attitude?
9. What are the basic principles of local self government?

Following these seminars in Donetsk, a list of future informational needs was compiled. This list was reviewed by the acting mayor, Victor Bychkov, and by some of the deputies in attendance at the seminar.

A. Additional Seminars

1. Local government organization
2. Relationship between local government/oblast/republic
3. Methods of speeding up the process of reform
4. Legal basis for local self government
5. Practical relationships between legislative and executive branches of local government
6. New structures for executive leadership
7. Developing local and national legislation from an idea, to drafting, to presentation, to implementation

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B. Informational Needs

1. Land use planning and appraisal techniques
2. Consultation on parliamentary procedures
3. Development of ethical standards
4. Establishment of a Fairness Doctrine on candidate selection, campaigning and election financing
5. Public opinion polling
6. Political party building
7. Finance and budget formulation
8. Techniques for urban development (redevelopment)
9. An on-going method for exchanging information between NDI (perhaps the California League).

The questions raised in Kiev during the three days of seminars, while covering all of the same issues, were better coordinated primarily because of the presence of Mr. Rubtsov and Ms. Shumanskaya. On the third day of the Kiev seminars we asked the participants to design what they believed was the most practical, efficient, and democratic local self government model. The seminar was divided into three groups according to the population of cities: 2 million; 300,000 to 2 million; and under 300,000.

The large city category (2 million), suggested a directly-elected mayor with a council of 60-70 members. There would be two deputy mayors appointed by the mayor and confirmed by the council; one deputy mayor for general administration (city manager), and one for economic development. The council could ask for a citywide vote of confidence if dissatisfied with the mayor. The policy of the service departments would be determined by council committees. However, the department administrator would be appointed by the mayor and report to the vice mayor for administration.

The model for cities of 300,000 - 2 million would provide for a stronger role for the mayor, working through five department advisors and one vice mayor for administration.

The smaller cities (villages), under 300,000, would continue with a strong parliament and with an informational link through council districts.

I was extremely pleased with the enthusiasm and thoughtfulness of the participants who accepted and rejected various organizational options to develop their own models. The camaraderie developed through these sessions with the 23 cities that participated, particularly in Kiev, should assist with the Association of Democratic Councils of Ukraine to organize further seminars through NDI or independently.

While these seminars were mentally exhausting, they were the highlight of some 30 years of discussing local self government.

MEDIA

During the visit to the Ukraine, there was a two-hour press conference in Donetsk with a dozen or more reporters, plus television coverage of both the Kiev and Donetsk seminars, plus one radio interview and a one-on-one interview with Vadim M. Krasnov of the *Center* newspaper. Unlike our press, the questions were quite friendly and supportive. One exception was the question "What really is your motive for being here?" With an explanation that I was working with NDI to assist the Association of Democratic Council of Ukraine to develop a sharing and training program, they seemed quite satisfied.

Unlike the seminar questions, the press seemed most interested in personal reactions to Ukraine, its people, city life, etc. The interview with English-speaking reporter Vadim Krasnov was quite interesting. I was again asked the question "Why are you really here?" and I explained to him about similar activities in assisting the Venezuelan Association of Cities. When I asked about his feelings towards freedom of media reporting, he indicated that they were still very cautious. In his view, the Ukraine, if it remains independent, will move toward a more autocratic leadership and in that circumstance a newspaper cannot afford to be too critical or too independent.

CITY ASSOCIATIONS

The Association of Democratic Councils of Ukraine has a good potential to play an important role in serving as the catalyst bringing city officials together. Members of parliament have apparently expressed some concern over their role, particularly over the issue of the appointments of presidential representatives by President Kravchuk to replace locally-selected mayors. The Association seems to be proceeding with caution but considerable enthusiasm in setting up an office in the former Communist Party building, also housing Kiev officials. They also have decided to include all cities that wish to participate. They see their role as:

1. Policy consensus on issues raised by parliament;
2. Working with NDI in bringing information (individuals and written materials) to the local officials; and
3. Sharing technological information, particularly from the larger cities (Kiev and Donetsk) to the outlying communities.

I believe their executive director is highly motivated, intelligent and well-liked. She is easy to work with and seems to have the support of the officials.

CONCLUSION

I felt very good about the effort. The Association will need continuing assistance, and they deserve it. There is a very positive reaction to NDI and its future work in Ukraine and I think the social, economic and governmental decisions being faced are awesome. Unfortunately, the easiest result may in fact be a form of autocratic control. It seems imperative that this country coordinate its efforts to assist in every way possible - financial and human resources - to encourage a Ukraine form of democracy with an improved economic climate.

I very much appreciated the opportunity to participate. I'll be writing an article for *Western City* magazine and will be sending materials to ICMA for possible publication. If you would care for an expansion on some of these thoughts or more detailed information, please let me know.

APPENDIX XII

UNION OF RUSSIAN CITIES BACKGROUND INFORMATION

Foundation, Registration, Membership

The Union of Russian Cities (URC) is an organization of local and regional authorities of Russian Cities and their regional organizations. URC was established on March 13, 1991 and registered on June 10, 1991 by the Russian Federation Ministry of Law. It comprises 89 cities - centers of autonomous republics, administrative and national regions of the Russian Federation. Six regional associations of small and medium sized cities and towns of the North-West, Center, and South of Russia, the Urals and Volga region, Siberia and the Far East are associate members.

The initiative was taken by democratically minded and elected chairs of city councils of the 54 largest cities of Russia. The main idea of the grass-roots initiative was to strengthen positions of cities and their local authorities, which are much closer to citizens and can defend their interests better than state and central authorities. They felt that the country could be strong only if main nuclei of it -- cities -- were strong.

The main purposes were to strengthen democratic reforms at the municipal level; to support democratically elected representatives of local councils; to uphold the status of the city as a main pillar of a society; to coordinate joint activities of cities; to represent and defend their interests at the President's office, Central Parliament, and Federal Government; to spread positive national and foreign experience; and to help in solving common problems of cities.

Structure

- Supreme Body:** Congress of Chairs of member city councils to be held not less than twice annually.
- Board:** 26 members; meetings not less than once every three months.
- President:** Chairman of the Board; he/she can only be a Council Chair.
- Executive Staff:** Director general, deputy directors general, program directors, technical staff, several groups of experts on some issues of activity.

Only Congresses and meetings of the Board are eligible to undertake decisions of principle importance -- by simple majority. URC maintains a consultative status with the Russian Federation parliament and with the Federal Government.

Finance

URC is financed through entrance and membership fees; members' fees for particular programs; service charges; donations.

Principles of Activities

URC stands for the implementation of provisions of the "Law on local self-governance" and other laws concerning cities. Since the Union considers that some laws do not meet the interests of the cities, URC will try to change them, undertaking measures in the Parliament, President's office, and Federal Government. On the Union's initiative, on November 5, 1991, the President of Russia issued an ordinance according to which cities would obtain ownership of land and objects on the territory of the cities.

The Union will disseminate new information with the goal of assisting cities in resolving their problems. On the basis of experience, URC will prepare recommendations on common issues.

Examples of Union Activities

The Union formed a group of legal experts from cities to prepare suggestions on a draft law on taxation. After the law's approval in Parliament, this group will monitor its implementation. This type of advisory group is to be formed in other fields including: public security, population of cities, culture and sport, education, medical service, housing construction, communal services, budget and financing, transportation, and the environment.

In the current situation of serious economic crisis, URC is trying to reestablish direct links among enterprises which have been lost due to deconstruction of the administrative command system. URC intends to assist small and medium sized businesses. With this aim, URC is establishing "Business Centers of Russia."

Information and Communication Technology

At present, URC is establishing a computer network the Union's headquarters and the member cities, as well as between the cities themselves. URC will exchange experience and information on using information and communication technology and new means of information at training course for municipal officials.

Work has begun to establish centers for training staff of local and regional authorities on a permanent basis with the participation of foreign specialists.

International Relations

URC needs the cooperation of international, regional and national organizations and other professional specialized institutions which deal with problems of municipalities. URC has established primary contacts with some of these organizations in the European Community and

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the United States. The Union has applied for observer status with CLRAE, the Council of Europe, CEMR, and IULA. The Union has participated in dozens of international conferences held in Russia in the past several months. Foreign institutions have sent groups of specialists to various regions of Russia to conduct seminars on municipal problems.

URC is studying the possibility of sending groups of deputies from local councils and municipal workers for training at foreign centers with which relations have recently been developed.

The Union helps small and medium sized businesses to establish contacts and cooperation with foreign partners. URC tries to attract foreign investments into industry and socio-economic fields. URC is sending groups of private business people to business and management centers abroad.

But these activities should be planned and coincide with an international agenda. URC needs active involvement in international activities to implement foreign experience in strengthening democratic structures at the local level and resolving municipal problems in the most effective manner. URC is open to cooperation and would be glad to welcome foreign partners to Russia.