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LOCAL GOVERNMENT INNOVATIVE PRACTICES GUIDE

for Central and Eastern Europe and the New Independent States

QEVERIA LOKALE NE UDHEZIMIN E PRAKTIKAVE INOVUESE

Per Evropën Qendrore dhe Shtetet e Reja të Pavarura

VODIC ZA PRAKTIKE INOVACIJE U LOKALNOJ UPRAVI

U Sjevernoj i Jugozapadnoj Evropi i nezavisnih država

РЪКОВОДСТВО ЗА НОВАТОРСКИ ПРАКТИКИ НА МЕСТНОТО САМОУПРАВЛЕНИЕ

В Централна и Източна Европа и в новите независни държави

PRIRUČKA INOVACIJSKIH POSTUPU PRO SAMOSPRAVY

U Sjevernoj i Jugozapadnoj Evropi i nezavisnih država

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W Środkowej i Zachodniej Europie oraz Wspólnoty Niezależnych Państw

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GHIÓXATI PROGRAME INOVATOAKE IN ADMINISTRATIA LOCALA

U Evropës Qendrore dhe Shtetëve të Pavarur dhe të Reja të Pavarura

РУКОВОДСТВО ПО ПРАКТИЧЕСКИМ НОВОВВЕДЕНИЯМ МЕСТНЫХ ПРАВИТЕЛЬСТВ

Для Центральной и Восточной Европы и новых независимых государств

SPRIEVODCA INOVACIJSKIH POSTUPOV PRE SAMOSPRAVY

Krajín strednej a východnej Európy a republikách nových a nezávislých štátov



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for Central and Eastern Europe and the New Independent States

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INTRODUCTION

Background

Immediately following the revolutions of 1989, many countries of Central and Eastern Europe (CEE) and the New Independent States (NIS) region began to pursue more market-oriented strategies as a solution to the enormous economic crises facing central governments. A component of those strategies has been a move toward decentralization in which democratically elected local governments are increasingly responsible for the provision of urban services and the future of their communities. In most countries, local governments are no longer viewed as passive implementors of central government policies but as active and essential partners in the economic and political transition. They are being called upon, along with the private sector, to relieve the burden of service and infrastructure provision that the central government can no longer bear alone.

In some countries, municipal governments have been given responsibilities, but they do not yet have the corresponding authority or sufficient financial resources to provide the requisite services. Many municipal governments and their partners have found creative solutions to the problems their communities face. Many are working in association with other municipalities to improve their capacity to provide services, raise revenues, and include citizens in the decision-making process. They are also collaborating to shape policy at the national level that would allow them to provide services more efficiently.

Innovative Practices Guide

This Innovative Practices Guide documents many of the successes that cities in the region have achieved. The examples cover the full range of municipal responsibilities in urban service delivery, increasing citizen participation in decision-making, municipal credit, economic development and planning, municipal association development, environmental management, revenue generation, management, budgeting and finance, housing privatization, and real estate development. In addition, there are examples of national level policy changes that have been instrumental in the ability of local governments to respond to the needs of citizens.

This Guide will facilitate the exchange of information about the innovations local governments are implementing. It will also enhance the dialogue in the region about what national level policy changes are needed to enable local governments to respond to citizens' needs. The Guide provides information on the implementation of the innovative practices and their results and identifies the city official(s) or other knowledgeable person who can be contacted for more details. In this way, cities can learn from other cities that are facing similar problems and adapt the approaches for their communities.

The Guide lends itself to updating and improvement. It has been produced in Albanian, Bosnian, Bulgarian, Czech, English, Hungarian, Polish, Romanian, Russian, Slovak, and Ukrainian. It is intended to be an easily accessible regional reference resource for municipal and national government officials and for businesses and non-governmental organizations working with local

governments to solve community problems. There are many more innovative practices yet to be documented, and many innovations are just now getting underway. The Guide can also be used to help carry out national dissemination strategies. USAID looks forward to working with local government officials to continue to disseminate the Guide on a regional basis or adapt it for use through national networks serving municipalities.

USAID has posted the English version of the Guide on the Internet at http://www.info.usaid.gov/regions/eni/urban_dev.



Developing a Credit Finance Model

Czech Republic

Background

New tax and intergovernmental finance systems implemented in 1993 have reinforced a trend begun in 1990 toward increased local autonomy and responsibility over local financial management. Faced with competing demands for scarce resources, many municipalities have sought credit to finance needed infrastructure improvement projects. To make credit available to cities, the Czech Government developed a municipal credit program in which the Municipal Infrastructure Finance Company (MUFIS) raised capital externally, then channeled the funds to commercial banks for on-lending to municipalities. Although the MUFIS program increased the availability of credit, many municipalities lacked the experience and tools necessary to set their investment priorities, forecast future financial resources, and analyze the costs and risks of alternative strategies for financing capital improvements. The Credit Finance Model (CFM) provides municipalities with an analytical tool to assist them in making sound decisions regarding credit financing of capital improvements.

Innovation

The CFM provides municipalities with a methodology and framework for assessing their debt carrying capacity under varying assumptions. The model can be used to estimate cash flow needs and funds available to pay maturing principal and interest under various loan situations. It is also a useful tool in risk assessment using financial performance indicators to determine how much a municipality may safely borrow. The methodology uses best and worst case scenarios to analyze the impacts of different assumptions about future revenues and expenditures.

A related computer model, developed concurrently with the CFM methodology, performs the various steps of the credit finance analysis and automatically calculates results based on data from the municipality. The computer model was written in Microsoft® Excel 5.0 for Windows and requires a 486 computer to run quickly. Use of the model does not require extensive knowledge of computers, as on-screen input forms make it easy to enter the data and assumptions required to run the model. Most users have been able to operate the software and model with about one hour of training.

Results

The CFM was tested in eleven Czech municipalities from November 1995 to February 1996, as part of assistance to those municipalities in securing credit financing for priority infrastructure projects. The first complete version of the methodology and related computer model was presented to the Finance Committee of the Czech Union of Towns and Communities (UTC) in March 1996. In June 1996, the UTC adopted the CFM as its recommended approach to addressing the needs of member municipalities. In May 1996, mayors and finance officers from ten selected municipalities, representatives of two national government ministries and loan officers of ten commercial banks active in lending to municipalities received training in the use of the model. The model was distributed at the National Conference of Municipal Finance Officers in Prague in September 1996, and will be made available to Czech software firms to encouraged broader dissemination to the 6,200 municipalities in the Czech Republic.

Summary

- To assist municipalities in
- making sound decisions
- regarding credit financing of
- capital improvements, the
- Czech government developed
- the Credit Finance Model
- (CFM). The model is being
- disseminated throughout the
- country.

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Using a Financial Model for Long-Term Debt Financing

Kutno and Namyslow, Poland

Background

Despite the creditworthiness of many Polish municipalities and a growing domestic capital market, opportunities for municipal long-term debt financing of infrastructure investment are under-utilized. The lack of practical tools and training is the most critical constraint in developing the municipal credit and municipal bond markets in Poland. A standardized computer model can help local governments analyze their debt-carrying capacity and help banks and underwriters appraise loan applications and municipal bond issues.

Innovation

In early 1995, The Municipal Development Agency (MDA), an independent Polish institution working to expand the capital market for municipalities and increase municipal investment, developed a computer model for local government financial analysis. The model provides a simple, computer-based methodology for making medium-term projections of municipal budget revenues and expenditures and the resulting funds available for investment and debt service. Using the model, municipalities can realistically schedule capital investment plans using various debt-financing scenarios. In pilot applications the analysis has proven useful in assisting municipalities to understand their debt carrying capacity, presenting the data in a clear and understandable format and providing the basic data needed for loan applications and information memoranda for municipal bonds. The initial model was developed and tested in the Cities of Namyslow (population 26,600) and Kutno (population 113,000) in July–November 1995 and has since been used by the cities of Ostrow Wielkopolski, Grudiaz, Gliwice, and Warsaw. The model is written in Microsoft® Excel 5.0 for Windows. Implementation requires assessment of historic revenue and expenditure data and assumptions and the capital investment plan; refining of the initial analysis of available funds and capital project scheduling, and presentation of the final analysis and recommendations to the Executive Board or City Council. Once this initial work is complete, city staff will need follow-up training in using the model as well as assistance in preparing loan applications or information memoranda for bonds.

Results

There have been four full pilot applications of the model, with positive results that prove its usefulness. In June 1996, the City of Kutno obtained the first substantial post–World War II long-term municipal infrastructure loan from commercial bank funds. The City of Ostrow Wielkopolski successfully completed a municipal bond issue. One municipality was recommended not to incur additional debt based on the results of the model, and the City of Namyslow received a subsidized loan from a national environmental fund. The impact of these pilots and the associated training of municipalities, banks and institutions have contributed to wide acceptance of the methodology and model. The model has been adopted by the MDA, five commercial banks with municipal lending departments, all of the municipalities in which it has been used, the National Bank of Poland department responsible for municipal lending supervision, and the Polish Securities Commission. In addition, a growing number of cities are interested in adopting the model and are requesting training in its application. The basic methodology and model logic can easily be applied in CEE and NIS countries, with some adjustments for official budget categories of concerned municipalities. The MDA can provide the spreadsheet program to interested cities, but operating manuals are still being completed, and first-time users will need assistance in implementing the model.

Summary

- To help local governments
- analyze their debt-carrying
- capacity and help banks and
- underwriters appraise loan
- applications and municipal
- bond issues, the Municipal
- Development Agency devel-
- oped a computerized financial
- analysis model and imple-
- mented it in the Cities of
- Namyslow and Kutno. With
- the assistance of the model's
- analysis, the City of Kutno
- obtained a long-term municipal
- infrastructure loan from a
- commercial bank, and the City
- of Namyslow successfully
- applied for a subsidized loan
- from the national environ-
- mental fund.

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Creating a Municipal Economic Development Office

Ternopil, Ukraine

Background

The City of Ternopil (population 205,000) was suffering from high unemployment. The major industrial firms were working reduced schedules or were closed. Foreign investment capital was needed, as were new management practices and skills, new technology, and workforce training. The city realized that it needed to redefine its role in the local economy from that of an owner and a manager of businesses to a regulator, promoter, and facilitator of private businesses. After city officials visited the U.S., where they met with chambers of commerce and economic development officials, they decided to establish a municipal office of economic development.

Innovation

The city set up an office of economic development in March 1995 to support local private businesses, promote Ternopil as a business-friendly location, seek foreign investment in existing businesses, and attract industries to the region. The office was staffed with an Executive Director (a former Deputy Governor who had become responsible for economic matters) and four other personnel. On a study tour to the U.S. and Canada, staff learned how economic development was carried out and how economic development offices were organized. The economic development office produced a full color brochure with business-oriented information in Ukrainian and English and distributed it to embassies and business groups. The office provides businesses with services that range from consultation to legal assistance. It helps firms apply for grants and loans from donor agencies, handles logistics for foreign visitors, and participates in conferences and exhibitions.

Results

The active promotion of Ternopil has made investors aware of the city, in Ukraine and internationally. Distribution of the brochure has resulted in contacts with such firms as John Deere, Glaxo-Wellcome, and Long Manufacturing, which have expressed serious interest in investments in Ternopil. The office hosts an average of two visits a month by potential foreign investors, and foreign business people have commented on the help the economic development office has provided and the good reception they have received from local government officials. The image of the city has improved in the eyes of the local business community.

Summary

- To attract investment capital and jobs, the City of Ternopil established a municipal office of economic development. The office has improved the image of Ternopil locally and internationally and has made contact with several firms that are interested in investments.

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Fostering Development Through Public-Private Cooperation

Atyrau, Kazakstan

Background

Officials of the City of Atyrau (population 150,000) recognized the economic development potential of the nearby Caspian Sea oil fields and the presence there of two international oil exploration consortia. Atyrau received little financial benefit from the presence of the consortia, however, because the city's infrastructure was so poor that the two oil companies had set up operations away from the city. The city was resource rich but economically depressed. To obtain benefits from the oil exploration, city officials created the Atyrau Development Corporation (ADC).

Innovation

City officials set up a development corporation with public and private sector funding. The ADC has a nine member board that includes citizens and representatives from the public and private sector. The mayor serves as chairman of the board. The oil consortia have two representatives on the board and partially fund the operating costs of the ADC. The ADC has a staff of three, excluding administrative support. The ADC has three principal objectives: (1) to organize support for the city to obtain tax and investment benefits from the oil exploration, (2) to develop a comprehensive plan for Atyrau to finance needed infrastructure, economic development, and quality of life improvements, and (3) to develop the basis for effective public-private cooperation to support development and implementation of the plan. The plan envisions a ten-year, \$587 million program, which will be funded by the public and private sectors.

The key to making the ADC effective was obtaining, early in the process, the commitment and involvement of the city leadership, the national government, and private investors in the Caspian area.

Results

The ADC secured commitments from the national government that assure Atyrau both royalty and tax revenue from future oil production. These future revenue streams will be used to repay the loans made to Atyrau to finance its development plan. Atyrau will request a World Bank loan to help finance implementation of the development plan. The national government has approved the first loan request, and preliminary discussions have been held with World Bank officials. The development plan and related financial plans have been completed. The initial development program, which will cost an estimated \$104 million, includes water and sewer improvements, roads, and drainage. The oil consortia have committed to fund technical assistance through the ADC and to relocate staff and facilities to Atyrau as the infrastructure is improved.

Summary

- To obtain benefits from the exploration of nearby oil fields and fund needed infrastructure, the City of Atyrau created the Atyrau Development Corporation (ADC). The ADC has completed development and financial plans and has received commitments from the national government and the oil consortia that will ensure funding for Atyrau's economic development efforts.

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Initiating Community Partnerships for Local Development

Zselic Region, Somogy County, Hungary

Background

As a result of the transition to a market economy, many Hungarian communities, from one-industry mine and mill towns to underdeveloped rural areas, have recognized a need to diversify their economic bases, foster entrepreneurship, improve their infrastructure, encourage exports, entice new businesses to the area, enhance the skills of the existing workforce, and increase access to capital. To encourage local and regional economic development, Hungary recently enacted legislation requiring counties to establish County Regional Development Councils. Local areas, however, are still in need of practical tools to enable them to develop strategies and specific project ideas for implementation. The Ministry of Labor recognized a need for a replicable community-based model that could be initiated in areas facing employment problems.

Innovation

Because County Labor Center regional employment counselors already brought together municipalities, employers, local enterprise agencies, and other actors when responding to layoff situations, they were chosen by the Ministry of Labor to facilitate and organize local economic development (LED) initiatives. The counselors were trained by the Ministry in LED techniques. The first step in implementing the LED model involves setting up a local team of mayors, local small business assistance agencies, County Labor Centers, NGOs, businesses, chambers, regional training centers, regional development councils, entrepreneurs, banks and other interested community members. The team members then participate in a series of four workshops designed to help them craft a local development plan and generate ideas for specific projects.

Confronted with unemployment rates of 15–25 percent, the 19 towns and villages in the Zselic region (total population 18,000, with individual towns between 50 and 2,800) decided to adopt the LED model. The Somogy County Labor Center regional employment counselor helped kick off the effort by encouraging the local area federation, local government leaders, teachers, banks, local artists, county business leaders and tourism promotion agencies, local media, and others to participate in the process. Forty-five individuals participated in the first community assessment workshop, through which they identified problems, needs, assets, windows of opportunity, and additional information needed. In small groups, they tackled questions of access to capital, the business environment, infrastructure, human resources, and quality of life. In the second workshop, they plan to consider economic renewal principles, including ways to support existing businesses, encourage new enterprises, and recruit compatible businesses. In the third workshop, the local participants will focus on generating specific project ideas based on the information they have gathered and analyzed in the first two workshops. The fourth workshop will provide mechanisms for evaluating and prioritizing those ideas.

Results

The citizens of the Zselic region have taken a significant first step toward completing a community assessment. At the end of this strategic planning process, they will have developed a blueprint for action. Ten other County Labor Centers have begun to work with local communities to establish similar LED teams that will participate in the workshop series. The ten sites cover from one to 42 communities, ranging in population size from 3,500 to 70,000. The first phase of the LED project should be completed by June 1997.

Summary

- To encourage local and regional economic development, the Zselic region of Somogy County is participating in a local economic development (LED) initiative. The citizens of the region have participated in the first of four workshops and have taken a significant first step toward completing a community assessment.

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Coordinating Assistance for Dislocated Workers

Tatabanya, Hungary

Background

As Hungary continues its transition to a market economy, local communities have found that the layoffs and unemployment that often accompany the privatization and restructuring process can create social and economic crises. Many municipalities have also had to reduce their workforces to cope with budget-cutting austerity measures. The Ministry of Labor and the County Labor Centers (CLCs), which provide local employment services, sought a proactive strategy that would emphasize early intervention, labor-management cooperation, and community involvement in layoff cases—ideally resulting in the prevention of unemployment.

Innovation

In July 1994, the Hungarian Ministry of Labor began to develop a method for responding to layoffs. Borrowing from American and Canadian techniques, Hungarian CLCs have now initiated Rapid Response Reemployment Assistance Committees (RACs) at 30 sites around the country, including steel mills, a uranium mine, a canning factory, a shoe manufacturer, a bus maker, a brewery, hospitals, and several municipalities. When the Tatabanya municipality (population 76,000) decided it had to lay off 400 teachers, nurses, social workers, maintenance staff, and others from over 50 separate institutions, it worked with the CLC to establish a RAC consisting of employer and employee representatives, several of whom were themselves affected by the layoff. The committee selected a retired teacher with strong ties to the community, who was viewed as impartial, as the chairperson. The RAC collected information on the needs and skills of the laid off workers who wanted assistance. Based on the findings, they developed an action plan tailored to those needs. The municipality provided space for an on-site Action Center where the dislocated workers could go for information, counseling, and peer support. The committee published newsletters; arranged workshops on entrepreneurship, job search techniques, Job Clubs, training, legal issues, and other topics; posted job listings; and worked to develop new jobs by contacting area employers. Throughout the process, the Tatabanya Municipality RAC and the CLC involved the local small business assistance center, training experts, NGOs, chambers of commerce, the media, and others.

Results

The Tatabanya RAC helped 43 percent of those who sought its assistance to find new employment before they would have been eligible to register as unemployed. Many of the new RAC partnerships established in Hungary in response to crisis situations have led to ongoing relationships among community entities. Several RACs have become catalysts for local economic development efforts: a variation of the Rapid Response model to assist displaced farmers is now being developed jointly by a regional training center, the CLC, and a municipality in northeast Hungary. A workgroup is developing policy and legislative recommendations for institutionalizing the Rapid Response model in Hungary.

Summary

- Faced with rising layoffs and unemployment, Hungarian County Labor Centers have created 30 Rapid Response Reemployment Assistance Committees at various industrial companies, hospitals and municipalities. Tatabanya, which had to lay off 400 municipal workers, is a successful case example of the Rapid Response approach.

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Using Strategic Planning to Improve Decision-Making

Novosibirsk, Russia

Background

Local institutions in Russia, including those in the municipal housing sector, were formed in a centrally planned economy and must be reoriented to perform successfully in a market environment. Without central plans, however, municipal officials are unsure how to address local issues in a rational way. In early 1994 the City of Novosibirsk (population 1.5 million) found that it was being given increasing responsibility for housing, while financial resources available to the municipal housing sector were shrinking. Municipal housing officials had to find new ways to halt deterioration of the existing housing stock and provide housing services, utilities, and infrastructure more efficiently. They wanted to establish a flexible local policy and decision-making process, recognizing that local government must carry out its mission in a context that it cannot always control and in which it must compete for limited resources.

Innovation

In 1994 the office of the Mayor of Novosibirsk obtained training and technical assistance in strategic planning for all department chiefs with a role in municipal housing. The strategic planning process involved developing alternative scenarios for the environment within which the city's housing departments would have to operate; this developed the participants' ongoing ability to anticipate emerging obstacles and opportunities. The cost of the training effort was \$80,000.

Over a five-month period, the officials who had received training formed the Municipal Housing Sector Leadership Group and assessed Novosibirsk's strengths, weaknesses, opportunities, and challenges using the strategic planning method. The Institute of Economics of the Siberian Branch of the Russian Academy of Sciences developed alternate scenarios for the development of the city's economy. The Leadership Group used these scenarios to prepare a four-year strategy to speed establishment of financial, legal, and operating systems that would enable Novosibirsk residents to achieve quality housing. The Leadership Group also prepared a specific action plan to focus the city's housing efforts and resources over the following twelve months.

Results

Through the strategic planning process, housing officials were able to reach consensus on rational, achievable goals and objectives, although these were not adopted by the Mayor due to changes in the city government. Several participating officials reported that they have used strategic planning as a decision-making method within their departments. As a result of strategic planning, the city developed policies on auctioning land, increasing municipal housing rents, encouraging developers to complete unfinished buildings, promoting condominium formation, and encouraging installation of individual heat and hot water boilers in new buildings. The city's budget reflects increases in income and reductions in expenses related to implementation of these policies. However, lack of political support prevented housing officials from implementing many programs that were discussed in the strategic planning exercise.

Summary

- To halt deterioration of the housing stock and improve the efficiency of housing service provision, local housing officials in the City of Novosibirsk participated in a strategic planning exercise. The process has resulted in the formation of new housing-related policies that have increased income and decreased expenses in the local budget.

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Linking Bulgarian Cities Through Computers

Blagoevgrad, Bourgas, Varna, Vidin, Gabrovo, Zlatograd, Razgrad, Rouse, Stara Zagora and Haskovo, Bulgaria

Background

Recognizing that most Bulgarian municipalities face similar problems and constraints, local officials wanted to share details about topics of mutual concern—like privatization, legislation and job listings—and access information from outside sources. They felt that learning from the experience of others would save time and resources and help prevent the repetition of costly mistakes. Data sharing was constrained by the limitations of Bulgarian telecommunications systems. The support offered by local online service providers was poor and unreliable, and many smaller cities did not have adequate telephone lines or computers.

Innovation

In March 1995 ten Bulgarian cities established an experimental Data Exchange Network (DEN) to promote cooperation among local governments and facilitate a mutual exchange of information. The pilot project connected city governments through a Bulgarian service provider, CITnet, using dedicated telephone lines for more reliable transmission. USAID financed procurement and installation of the necessary equipment, which took less than 10 days and cost about \$43,000.

In late 1995 the DEN installed a bulletin board system (BBS), a computer site where information, announcements, and inquiries can be “posted” to all network users. The BBS now includes areas for the Bulgarian Parliamentary Bulletin, a Municipality Forum, USAID Programs in Bulgaria, and the National Center for Real Properties and House Politics.

Results

The DEN was completed in May 1996, when the participating cities were connected to the server. So far user traffic has been high. The DEN will be fully connected to the Internet by the end of 1996.

Today there are 17 users connected to the DEN system: eleven cities (the ten pilot cities and Dobrich); the Foundation for Local Government Reform; three regional associations (the Association of Rhodopy Municipalities, the Association of Black Sea Municipalities, and the Association of Danube River Municipalities); the Community Development Center in Zlatograd; the Economic Development Agency in Stara Zagora; and the Youth Information Center in Gabrovo. The National Ministry of Real Property and Construction and the National Center for Real Properties and House Politics are currently being connected.

Mayors and their deputies are using the network to share their experiences and knowledge with their counterparts across the country. Members are enthusiastic about integrating the DEN into their everyday activities and are taking responsibility for its administration. The main flaws of the DEN are the weak Bulgarian telecommunications network and the lack of trained users in certain cities. National ministries are contemplating using the network to facilitate communications between national and local governments on reform issues. This innovation has not only increased access to and experience with computers and electronic telecommunication, but also has brought local governments closer together and increased the amount of information available to each city.

Summary

- To promote cooperation
- among local governments and
- facilitate a mutual exchange of
- information, ten Bulgarian
- cities established a Data Ex-
- change Network (DEN). The
- DEN has not only increased
- access to and experience with
- computers and electronic tele-
- communication, but also has
- brought local governments
- closer together and increased
- the amount of information
- available to each city.

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Implementing a Municipal Economic Development Program

Panevezys, Lithuania

Background

Following Lithuanian independence the City of Panevezys (population 132,000), home to large industry and agro-processor plants, found itself in a difficult economic situation. As input prices rose to world-market levels and traditional output markets disappeared, the city's industrial base flagged, leading to a 15 percent unemployment rate. Worsening economic conditions resulted in citizens' perception that local government was not responsive to their needs. Furthermore, the city's identity as a successful industrial city was being compromised. The city recognized that it was necessary to improve public relations, build understanding between government and the business community, and attract new businesses to the city.

Innovation

To encourage economic development and to develop better relations with its citizens, the media, and local businesses, Panevezys decided to develop a Municipal Economic Development Program. As part of the innovation, the city created an Economic Development Unit within its Economics Department in March 1996. This unit is creating a two-year Overall Economic Development Plan (OEDP) and has hired a full-time economic development specialist.

The city is undertaking the following activities under the Program:

- Local government officials make bi-weekly visits to local businesses to learn about their interests and concerns. The media is welcome to participate in these visits.
- The Economic Development Unit is collaborating with the Business Advisory Center and the Panevezys Chamber of Commerce. The organizations hosted a City Day in September 1996 to showcase local businesses and products and are collaborating on a small business development program with start-up funds from the city budget.
- Municipal officials attend weekly meetings for local business people hosted by the local branch of Rotary Club International.
- City officials are attending the business school at a local university to improve their understanding of business practices and network with the business community.

Economic development marketing efforts have utilized free or inexpensive approaches such as submitting articles about the community for publication, contacting prospective investors directly, and using local contacts to attract the interest of the Lithuanian-American community. To date the city government has spent approximately \$3,000 on its Municipal Economic Development Program.

Results

The Municipal Economic Development Program has made significant progress in its first nine months: the favorable press resulting from inclusion of journalists in the business visitation program has served to improve the public's perception of the municipality's efforts to learn more about the conditions facing its citizens. There has also been a noticeable improvement in the general public's perception of local government. The only obstacle faced by Panevezys so far has been the lack of financial resources required to implement economic development strategies. The approach is widely replicable, as it mainly involves the development of a strategy that identifies realistic goals and leads to consensus building.

Summary

- To encourage new business and to develop better relations with its citizens, the media, and local businesses, the City of Panevezys developed a Municipal Economic Development Program. The various activities under this program have already improved the general public perception of local government and are likely to attract new business in the near future.

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Building Consensus Using Economic Development Planning

Usti nad Labem, Prelouc, Koprvinice, Karvina, Roznov pad Radhostem, and Velke Mezirici, Czech Republic

Background

Though responsible for determining local economic development priorities, Czech cities have been hindered by the poor state of communications and coordination between municipal governments and the business community. One way to improve municipal-business relations is for cities, in cooperation with business leadership, to assume responsibility for delivering services to existing and new businesses. Six Czech municipalities chose to embrace this idea and prepared community-based economic development plans to build consensus among both public and private sector community leaders concerning critical issues affecting their communities. These cities also used the principles of strategic planning as a means of empowering communities to deal with local issues.

Innovation

Beginning in May 1995 six Czech municipalities, ranging in population from 10,000 to 100,000, undertook community-based economic development strategic planning processes. The mayors, in consultation with their city councils, appointed Strategic Development Commissions (SDCs) that consisted of municipal leaders from the public and private sectors and were chaired by recognized business leaders. Implementing the economic development planning process takes approximately six months. As the first step in the process, the SDC built consensus and involved the community. The SDC conducted a survey to gauge the community's business climate and develop a community profile. After reviewing results of the survey, the SDC identified critical issues, the core of the strategic planning process. The SDC then undertook further analysis to precisely describe the community's strengths and weaknesses and external "threats" and opportunities. Once this was complete, the SDC was divided into task forces for each critical issue to develop goals and action plans identifying specific objectives, projects, and strategies. The separate action plans were presented to the entire SDC for inclusion in the municipality's economic development strategic plan, which the municipal council then adopted as official city policy. Typically, a strategic plan contained over 30 projects that addressed a community's identified critical issues. These included infrastructure, housing, economic development, environment, public transportation, image, tourism, work force training, and other issues that contributed to economic development and empower municipalities to adjust to economic changes. The strategic plan represented the community's consensus on the allocation of resources to address these issues. The emphasis was on implementation of credible, realistic projects.

Results

The first economic development strategic plan was adopted by Usti nad Labem's Municipal Council in February 1996. Completion of the strategic planning processes in the six pilot cities has created a momentum to make changes in the local government decision-making processes and the attitudes of community leaders. The sense of empowerment that is central to strategic planning has been welcomed by communities as an effective and useful contrast to the central, top-down planning approach used in the past. This process could be replicated in CEE cities where a level of development of both the public sector and private business community provides a basis for cooperation and institutional stability.

Summary

- To improve competitiveness and create economic development capacity to deliver services to existing and new businesses, six Czech municipalities prepared community-based economic development plans. The first economic development strategic plan was adopted in Usti nad Labem in February 1996.
- Completion of the strategic planning processes in the six pilot cities has created a momentum to make changes in the local government decision-making processes and the attitudes of community leaders.

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Involving the Community in Economic Development

Zlatograd, Bulgaria

Background

Beginning in 1992, the mayor and community leaders of Zlatograd (15,600) enacted a program of economic initiatives to reduce unemployment and make the city more attractive to private business. Zlatograd's leaders also saw the need for a single organization to stimulate local economic growth, support local democratic activity, and increase the local capacity to provide increased access to education and social services. Consequently, in September 1995 the city founded the Zlatograd Community Development Center (CDC).

Innovation

A USAID grant of \$50,000 capitalized the CDC, while local businesses renovated office space supplied by the city. The CDC is registered as a non-governmental organization (NGO) with well balanced public/private participation and has received grants totaling approximately \$5,000. The CDC provides services in two areas: local government/citizen education and economic development. Local government/citizen education entails programs such as a municipal information center to involve citizens in local government; a resource library of information on democracy, business, arts and culture, and general interests; an educational resource center for those considering higher education both in Bulgaria and abroad; and a school initiative to educate Zlatograd's youth on democracy and its impact on private citizens. The economic development section assists Zlatograd's growing business community in finding financing and distributes general information with help from various U.S. organizations including the International Executive Service Corps, the Masters in Business Administration Enterprise Corps, and Peace Corps business advisors. The center conducts business seminars and provides services such as business planning, professional letter writing, fax and e-mail access, and foreign language translations, all potentially large sources of revenue for the center. An unemployment section helps citizens find jobs in the private sector labor market, including finding students summer jobs and giving interview and résumé advice. The CDC also envisions establishing a "business incubator," a municipal building that would lease space to local businesses and supply low-cost collective services.

Results

The Zlatograd CDC has been successful in many aspects. Its library owns frequently-borrowed Bulgarian language publications on marketing, business planning, and government. The democratic school initiative's lectures and activities have been well received by school administrators, teachers, and students. The business resource center has prepared business plans and assisted several firms in applying for funding from private lending organizations. Rental of the center's seminar rooms has been a significant source of revenue for the CDC. Although in its first seven months of operation the center generated revenue to cover only 4 percent of expenditures, this figure should rise over the next year, and alternative funding sources are being pursued.

The program has met some obstacles, the most significant of which has been that the local economy has continued its decline. The real success of the CDC has been that it has created a focal point for local economic growth and is easily replicable. The CDC has begun to promote itself in neighboring towns, and the nearby municipality of Madan has founded a similar organization based on the CDC model.

Summary

- To stimulate local economic growth, support local democratic activity, and provide increased access to education and social services, the City of Zlatograd founded the Zlatograd Community Development Center (CDC). The CDC library's Bulgarian language publications are frequently borrowed, the school initiative's lectures and activities on democracy have been well received, and the business resource center has prepared business plans and assisted several firms in applying for funding from private lending organizations.

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Using a Decision Matrix To Analyze Privatization Options

Viljandi, Estonia

Background

The Estonian national government decided that starting September 1, 1995, all municipal enterprises (municipally owned businesses) would be phased out over a two year period. Consequently, the Vice Mayor of the City of Viljandi (population 22,500) wanted to develop a strategy to determine how to privatize the city's nine municipal enterprises. Because municipal enterprises had been transferred to local governments from the central government, the central government would receive 50 percent of all proceeds from the sale or privatization of municipal enterprises. Viljandi needed to maximize city revenue while considering other criteria in making privatization decisions, such as minimizing the negative impact on the community, ensuring continuity and quality of service delivery, eliminating inconsistencies and inefficiencies, and determining the true cost of service delivery.

Innovation

Based on those criteria, among others, the City of Viljandi developed a decision matrix to analyze its municipal enterprises and make recommendations for the disposition of each. The fixed assets of the enterprises were considered along with financial information, including balance sheets, cash flow statements, fiscal analysis, and true costs of providing services. The options for disposition of municipal enterprises were then considered: retention as a city government department; creation of a joint stock company with various equity positions for the city; sale of city assets after which the city leases back the assets and continues providing the services; and retention of the assets by the city and contracting out of service delivery. The results of this matrix analysis were presented to the City Council of Viljandi, which adopted the disposition plan in the fall of 1995. The implementation costs of this decision-making process were minimal, as they consisted solely of staff time.

Results

As a result of implementing the new decision-making process, Viljandi's municipal hotel was sold for approximately \$254,000 and the municipal movie theater was leased to another enterprise for \$850 a month for a 10 year period with the understanding that the building would remain a movie theater. The other enterprises, including the heating utility and a firm that owns and manages apartment buildings and provides plumbing services, are currently undergoing reorganization to improve the level of management and create smaller divisions so that they can be privatized by the September 1997 deadline.

The matrix analysis process gave city officials a clearer understanding of the costs of providing various services as well as a comprehensive picture of all the variables to be considered when determining which enterprises to retain or sell. This made the decision-making process for disposing of municipally-owned firms more transparent and rational. It also demonstrated the usefulness of an objective decision matrix process in making successful public policy decisions and contributed data that can be used to improve the efficiency, cost effectiveness, and quality of government services.

The decision matrix practice is being disseminated to all Estonian municipalities. The practice is relevant to all local governments that are decentralizing government services, transferring authority to local government units, and improving the efficiency and effectiveness of public services.

Summary

- The City of Viljandi used a decision matrix to assist in determining how to privatize its municipal enterprises. The analysis process demonstrated the usefulness of an objective decision matrix process in making successful public policy decisions and contributed data that can be used to improve the efficiency, cost effectiveness, and quality of government services.

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Establishing an Effective Municipal Association

Ukraine

Background

Historically in Ukraine, local governments were considered a branch of the national government; hence, there was no need for a separate organization to represent local government interests. By 1994, when the first local elections were held, local governments had gained autonomy and responsibilities. Local officials realized that new mechanisms were necessary to promote local government interests at the national level; educate local government officials about important civic issues and mobilize their support; promote communication among municipalities through exchanges of experience, group procurement, and other cooperative activities; increase public education about local government and key city issues; and coordinate formal training of local government officials and municipal staff.

Innovation

In January 1995, the new local elected officials reconstituted an earlier organization of city executives into the Ukraine Association of Cities (UAC). A new charter was adopted to reflect that the heads of City Councils (mayors) had been elected in the first local government elections. The charter also asserted that the principal mission of the UAC would be to organize and represent municipalities at the national level. The key characteristics of the UAC as defined in its charter are:

- It is an inclusive, non-partisan organization—elected officials in the member cities represent the full range of the political spectrum.
- It represents cities of all sizes—all but two of the 29 oblast capital cities are members.
- Cities are members, not mayors—membership requires passage of an ordinance by the City Council. Fees for membership are based on city population.
- Operational costs are financed entirely from membership fees.
- The UAC office in Kiev operates with a small but effective professional staff (of approximately 15) led by an executive board (10 members) and an elected president, who meet monthly.
- The UAC involves its members and communicates actively with them through newsletters and in-country study tours.

Results

Since 1995 the UAC has been effectively lobbying for local government at the national level. It is a major player in drafting local government legislation and national-level administrative procedures that impact on local government. The UAC facilitates the establishment of local self-government in Ukraine both by helping city officials define and articulate their role and by educating citizens in local government functions, responsibilities, and issues. The UAC fosters collaboration among municipalities and facilitates the exchange of ideas and cooperation among cities.

Summary

- To promote local government interests at the national level
- an earlier organization of city executives was renamed and reconstituted as the Ukraine Association of Cities (UAC).
- The UAC facilitates exchange of ideas, promotes local self-government, and effectively lobbies and represents local government interests at the national level.

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Strengthening a New Association of Municipalities

Czech Republic

Background

Across Central and Eastern Europe, local governments are assuming greater responsibility for the quality of public services and facilities. In the Czech Republic this process is well advanced and is formalized in the Law on Municipalities. Because municipalities were being asked to assume new and sometimes difficult roles and responsibilities, the Union of Towns and Communities of the Czech Republic (UTC) was established in January 1990 as a new voluntary, nongovernmental organization of municipalities. By the end of 1991 the membership had reached 1,100 out of 6,400 municipalities, representing 70 percent of the country's population of 10 million. In early 1992, however, nearly 600 members resigned because of UTC's lack of leadership due to political changes; lack of experience; inadequate organizational, management, communication (lobbying) skills; and lack of technical capacity to provide effective member services. To counteract these problems, the UTC set itself four goals: to become an important partner representing local government to the central government; to strengthen the economic independence of municipalities; to influence legislation relating to decentralization; and to provide necessary services to municipalities.

Innovation

In 1993, the UTC began work in the following areas:

- Staff capacity and level of experience: Two UTC staff members participated in an Eastern European regional conference and in a study tour of U.S. associations.
- Information processing capacity: UTC purchased computers, software, a laser printer, and fax equipment.
- Membership development and publications: UTC received consultant advice on methods of increasing member involvement in policy-making, promoting membership and improving member communications. UTC evaluated a variety of communications means, including publications, press releases, and training materials and began publishing a regular monthly newsletter.
- Event management: UTC received training in conference planning methods and program development, session management, and social activity planning. UTC has been successful in organizing its annual assemblies and participating in municipal services exhibitions.
- Public policy: UTC learned about methods that U.S. cities and counties use to influence legislation as well as methods used to bring about policy consensus.
- Local government operations: UTC reviewed management methods and creative financing techniques used in U.S. municipalities to achieve desired public policy results. The UTC participated in establishing an NGO, the Fund for Assistance to Local Administration. The Fund's principal objective is to provide training and consultation to local authorities through its 12 regional training and management centers.

Results

By June 1993, the membership of UTC had increased to 1,123 and is now stable at 1,387, despite fees that have increased from Kc 1 to Kc 1.30 per inhabitant. UTC has increased its capacity to lobby, review legislative proposals, and negotiate with ministries, and the government has recognized UTC's role in submitting proposals leading to the fiscal decentralization of local and regional governments. UTC has established numerous international relationships fostered by regional meetings and on-the-job training of UTC staff. UTC has begun to provide specific training assistance to local governments.

Summary

- To counteract problems that had led to a decrease in membership, the UTC began work to improve its staff and information processing capacity, membership development and publications, event management, and efforts to influence public policy. By June 1993, the membership of UTC had increased to 1,123 and is now stable at 1,387, and UTC has become an important partner representing local government to the central government.

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Creating a Municipal Training System

Slovakia

Background

As Slovakia changes from a highly centralized system of governance to one with substantial authority at the local government level, new demands are placed on local elected councils. A new set of skills and knowledge are now necessary to function effectively as a local government mayor or councilor in one of Slovakia's 2,500 elected councils. It was the consensus of local government officials that a training program to reach such a large population of elected leaders effectively must be large scale and sustainable over time without donor support. The training design had to take into account that training elected leaders is a continuous process, in step with the constant renewal of local councils in a democratic system.

Innovation

A decision was made to build on the success of the U.N. Elected Leadership Training Series. Materials that had already been used in Central and Eastern Europe were adapted to the local context by a steering committee with representation from municipalities, ZMOS, the universities, and the local training profession. Then a pyramid system of training was put in place: two expatriate trainers already familiar with the manuals conducted a training-of-trainers program for 12 local trainers, who in turn worked with 54 mayors and councilors chosen based on their interest and background to participate as apprentice trainers. The purpose was to develop a cadre of trainers who were already schooled in experiential learning skills and local elected leaders who could bring unique experiences to the program and hone the curriculum to fit the evolving context in which Slovak local governments operate.

The training curriculum and approach (experiential learning based on 11 modules, each representing a distinct role of an elected leader) were new for Slovakia. To generate interest in and comments on the training, 13 one-day marketing workshops were held with 265 representatives from various local councils. Based on this input, a decentralized training delivery system was adopted using the 10 regional centers of the Foundation for Local Self Governance. A number of the workshops will be three-day programs covering two modules each, with the expectation that over time a number of local leaders will receive training in all 11 modules. But to be responsive to unique local needs and constraints, supplemental training programs are also being designed; for example, for an entire council membership.

The cost of the training is projected to be \$40-50/training day, including room and board. This low cost will be achieved by putting the training delivery immediately in the hands of a Slovak counterpart institution. Donor support will fund approximately two thirds of the cost for the first six months and one third for the second six months. After a year the training program is expected to be self supporting.

Results

The system is in place, and the first leadership training will take place in early 1997. It is expected to provide a sustainable training program to serve the training needs of elected local government officials in Slovakia.

Summary

- To provide continuous training
- for large numbers of local
- elected leaders, Slovakia
- developed a cadre of trainers
- using a pyramid system. The
- system is in place and is expected to provide a sustainable training program.

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Establishing a Training and Technical Assistance Partnership

Kaunas, Lithuania

Background

Lithuanian local government officials lacked skills and experience in management and public administration techniques including decision-making, consensus and team building, organizational development, and budgeting. To address the training needs of local governments, the Kaunas University of Technology (KTU) and the Lithuanian Association of Local Authorities (LALA) concluded an agreement in 1994 to train local government officials through the Municipal Training Center (MTC).

Innovation

The training agreement grew out of a successful cooperative effort by KTU and LALA to assist communities to develop their first independent annual budgets. KTU offers a certificate in public administration and has a faculty and cadre of visiting U.S. professionals who teach public administration. LALA members are the eight incorporated cities and 44 regional governments in Lithuania. LALA is recognized by the national government as the official representative of local government.

The MTC was established by KTU and the U.S. Baltic Foundation and is financed from university resources, grants from international organizations such as PHARE and USAID, and service fees. The MTC and LALA jointly plan, sponsor, and conduct training programs for local government officials. The objective of the training provided by MTC and LALA is to provide local governments with affordable training opportunities tailored to the Lithuanian political culture and communities' special needs. The training is provided free or for a nominal charge.

In addition to the training activities, the MTC has conducted organization development studies for local governments in Kaunas, Alytus, Anyksciai, and Panevezys. It has worked closely with the World Bank, PHARE, and the National Democratic Institute. For example, using the available pool of talent in the KTU public administration program, MTC programs have supported the National Democratic Institute's efforts to assist Lithuanian communities to develop and institutionalize citizen participation opportunities.

Results

The MTC functions as the training arm of LALA and has provided training to local governments on a variety of topics including budgeting, personnel management, citizen participation, strategic planning, and economic development. The joint venture arrangement between MTC and LALA prevents duplication of effort and enables LALA to take advantage of the skills and resources available through MTC. The arrangement also provides local governments with easy access to consulting services. For example, MTC is facilitating the work of two major work groups, one studying proposals to amend the current Law on Local Governments, the other consisting of city administrators who wish to find ways to professionalize the position of city administrator.

Summary

- To address the training needs of local governments, the Kaunas University of Technology (KTU) and the Lithuanian Association of Local Authorities (LALA) concluded an agreement in 1994 to train local government officials through the Municipal Training Center (MTC). The MTC functions as the training arm of LALA and has provided training to local governments on a variety of topics including budgeting, personnel management, citizen participation, strategic planning, and economic development.

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Improving Infrastructure Through a Municipal Association

Blansko District, Czech Republic

Background

With reduced state subsidies for infrastructure improvements, Czech municipalities increasingly look to the private credit market to finance investments in local infrastructure. Small municipalities may find it difficult to access private credit, as they are less likely to have the necessary financial capacity, and they lack the economies of scale to lower the per capita costs of infrastructure improvements. As most municipalities in the Czech Republic are small, their inability to access private credit can have a serious impact on the quality of basic infrastructure in the country. In the face of these barriers to infrastructure development, small municipalities have begun to form strategic alliances through municipal associations. One such association is the Svazek Blansko.

Innovation

Collaboration between the municipalities in the Blansko District began in 1993 when they formed an association to manage their joint ownership of regional water and wastewater systems. It did not make sense for each municipality to enter into separate agreements with the operating company due to the high level of inter-dependence regarding the future of the region's water and wastewater service.

The Svazek Blansko represents 100 municipalities in the Blansko District with a combined population of 100,000 and affords members a chance to share the technical and financial burdens of investment in the water and wastewater sector. The association plans to undertake extensive improvements to existing systems and to extend water and wastewater service to under-served municipalities. Investment demands, however, exceed the income the association earns from its contract with the privatized regional water management company, and it must seek alternative means of financing infrastructure development. In mid-1995 the Svazek Blansko decided to determine the capacity of a municipal association to access private credit markets for infrastructure finance in small municipalities. The first step was to carry out a capital planning process to ascertain the association's capacity to service private debt and to prioritize projects according to technical merit. Using this analysis, the association's Executive Committee identified a project that it hoped to finance privately. The Svazek Blansko's legal and institutional framework was reviewed, focusing on the relationship among members and the contract between the association and the water management company. Both efforts highlighted issues the association needed to address to improve its chances of accessing private infrastructure financing. Priority concerns included redefining the procedure for the liquidation of assets and liabilities should the association dissolve and clarifying the management company's role in maintaining the current system. The final task will involve a resolution of legal and institutional issues and preparation and submission of a loan application for the association's priority project.

Results

The ultimate measure of this program's impact will be the association's long-term capacity to access the private credit market. However, the new political leadership in the Town of Blansko (population 20,000), the largest single member of the Svazek Blansko, has voiced reluctance to participate in the collaborative framework of the Svazek Blansko at this time. This reluctance is based on some of the same concerns identified by the legal and institutional analysis conducted for this initiative.

Summary

- To finance investment in local infrastructure and to improve access to private credit markets, municipalities in the Blansko District formed a municipal association, the Svazek Blansko. The association decided to determine its capacity to access private credit markets for infrastructure finance in small municipalities. The ultimate measure of this program's impact will be the association's long-term capacity to access the private credit market.

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Creating an Association of Municipal Finance Officers

Slovakia

Background

Local governments in Slovakia are beginning to become more autonomous of the central government. Consequently, local government officials need to develop knowledge, skills, and professional standards to carry out their responsibilities more effectively. Recognizing the potential for associations to serve these needs, a group of finance officers in Slovakia decided to create a professional association for local government finance officers.

Innovation

The purpose of this association, which was initiated in early spring 1996, is to address emerging issues of importance to local authorities regarding financial management and to provide professional development opportunities for its members. Through lobbying to influence preparation of new national laws and policies, the association will also represent concerns about local finances in a collective manner. The association is expected to evolve into a forum for career development, providing training in financial management, managerial skills, and other related issues. Among the issues that the association is facing is its relationship to other local government institutions. For example, should it affiliate under the Association of Towns and Communities of Slovakia (ZMOS), which is the municipal association representing most local governments in Slovakia, or should it operate independently? Another issue is whether the association should provide training directly or establish a relationship with a university for this purpose.

Local finance officers have taken the initiative to draft proposed by-laws for an association and have held two exploratory meetings with over 40 interested local finance officials. A major organizational conference was held in September 1996 to present prospective members with the proposed by-laws, program for membership development, financial resource requirements for sustaining such an organization without external funding, and other components of the association's future development program. The membership approved the by-laws, elected officers, and filed the necessary organization documents with the Ministry of Interior. The newly elected officers are currently seeking funding for office space and equipment to assist the new association to begin operations.

Results

The Association of Municipal Finance Officers has been established and will be fully operational by the spring of 1997. The association will provide a collective voice on financial management issues and concerns as well as a growing program of professional opportunities for its membership. Creation of municipal finance officers associations could be replicated in other countries in the region to further municipal finance reform.

Summary

- To develop knowledge, skills, and professional standards to carry out their responsibilities more effectively, a group of finance officers in Slovakia decided to create a professional association for local government finance officers. It is expected that the Association of Municipal Finance Officers will be fully operational by the spring of 1997. The association will provide a collective voice on financial management issues and concerns as well as a growing program of professional opportunities for its membership.

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Encouraging Participation Via a Citizens Service Center

Ialomita County, Romania

Background

Romanians have long viewed local government as unresponsive and difficult to deal with. Until 1990 City Halls and county buildings housed bureaucracies that were not geared to providing their citizens with services, information, or opportunities for participation. This image was reinforced by guard cages at building entrances, where a uniformed guard determined who could enter. While municipal leadership changed after the revolution, its reputation and image generally did not. The Vice President of Ialomita County (population 380,000) was concerned that the county was unable to give citizens information about county services and involve them in the policy issues facing the county. The elected leadership of the Council wanted to encourage citizens' questions, develop a database of information easily accessible to the public, and facilitate volunteer groups to advise the county on policy matters and assist county staff in some of its programs. To accomplish this, the county decided to establish a "Citizen's Information Center."

Innovation

In November 1995 a location for the new "Citizen's Information Center" was identified: the side entry hall of the county building in the county seat of Slobozia (population 60,000). A week later the guard cage was removed, and the guard was re-trained in customer relations. By the formal opening on April 12, 1996, the drab hall had been converted into a modern and comfortable reception center, the first handicapped accessible facility in a Romanian local government office. The county had also developed a hard-copy and computerized database of information from each county department.

The center is open during office hours. One of its resources is brochures on topics such as marriage licenses, building permits, adoption information, housing availability, functions of the city/county/state, the City and County Councils, and youth programs; more are being prepared. The center has also been stocked with printed information from local NGOs, government agencies, and other local governments. In addition, citizens can ask about street repairs and health services; whether the city, county, or state is responsible for a specific item; and who now handles many responsibilities that have been privatized, such as housing. The center has access to all county departments if it needs to obtain answers to complicated questions. The type and number of information requests are recorded, and the staff are gradually enlarging the database based on the requests. A "how to" training program and manual on setting up a citizen's center have been developed. Construction of the center cost about \$185,000; computers and equipment cost approximately \$15,000. Software was donated by a local computer programmer. The county pays the salaries of the three staff members who work at the center full time.

Results

The center averages close to 25 requests per day for information and is making constant improvements to respond to the evolving needs of its clients. A Citizen's Information Center Advisory Board and an Arts and Cultural Council have been formed. The center has been successful in improving public relations and in encouraging participation: the citizens of Ialomita County have learned that they can get quick, accurate answers to their questions at one central location and that their government can be responsive. Several citizens have also volunteered for work in the center itself. Likewise, the county staff have learned that citizens can be enthusiastic about participating in local volunteer activities. Seeing the center's achievements, the Mayor of Bucharest is developing a citizen's information center for the capital based on the Ialomita model. Ialomita has received more than twenty other requests for information and/or technical assistance.

Summary

- To disseminate information
- about county services and to
- enlist citizens' advice on pol-
- icy matters, Ialomita County
- established a "Citizen's Infor-
- mation Center." The center
- provides information about
- county services through
- printed materials and a com-
- puterized database. The center
- has been successful in im-
- proving public relations and in
- encouraging participation: the
- citizens have learned that their
- government can be respon-
- sive. Likewise, the county
- staff have learned that citizens
- can be enthusiastic about par-
- ticipating in local volunteer
- activities.

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Improving Relations with Citizens and the Media

Jihlava, Czech Republic

Background

The problems of citizen apathy and mistrust of local government are widespread in the region. To counteract these problems, Czech government officials sought to improve relations between local governments, citizens, and the media by enhancing citizen participation in areas such as capital budgeting, increasing the exchange of information between the city and its citizens, and improving service delivery. More than 70 cities applied to participate in this demonstration, which was first implemented in the City of Jihlava (population 56,000) in August 1995.

Innovation

The innovative practice involves a comprehensive and systematic approach to improving citizen/media/government relations. To begin, Jihlava municipal officials formed a diverse Project Advisory Committee (PAC), which conducted surveys of the government's view of citizens and citizens' views of government. The PAC developed an action plan based on the survey results. The PAC involved the Mayor and Vice-Mayors in implementing the action plan and recruited media representatives and private citizens to serve on the PAC:

This innovation built consensus for change and undertook concrete, sustainable activities to improve citizen relations. Jihlava held town meetings, established a press office, prepared a citizen information brochure, initiated a weekly radio call-in show, established a task force to review city procedures for funding non-governmental organizations (NGOs), and established an annual "Jihlava Day" to increase civic pride. The town is in the process of establishing town awards for outstanding citizens and evaluation and reward systems for employees.

The innovative practice required 8–12 months to implement with very little direct cost and no legal/regulatory changes required, although some may be recommended as a result of the innovation. Existing town hall staff are implementing most of the project activities, although some additional part-time staff will be hired to act as citizen liaisons and volunteer coordinators. The cost to Jihlava of implementing the innovation is approximately \$30,000.

Results

Jihlava has begun to work with the community to plan municipal improvements, such as a town park. The town plans on conducting a follow-up citizen survey to assess the usefulness of its citizen relations practices. Jihlava is holding more press conferences and thinking strategically about providing information to the public. This innovation has increased community awareness of the importance of citizen relations in daily decision-making in Jihlava and neighboring cities that have emulated Jihlava's actions. The Town of Havlickuv Brod announced that it would establish a press office the week after Jihlava created its office, and many mayors from the area have appeared on Jihlava's radio call-in show. The media has reported that communication with Jihlava's town government has improved significantly.

The innovative practice's comprehensive approach to citizen/government relations can have meaningful, long-term impacts in cities throughout the NIS and CEE. The success of this approach requires that government leaders recognize the importance of citizen relations, make the effort to enhance these relations, and make changes in the way they conduct their affairs.

Summary

- To improve its relations with citizens and the media, the City of Jihlava formed a Project Advisory Committee (PAC). The PAC has developed a plan to promote citizen participation, provide increased information to the public through the media, and improve service delivery and internal city management. The PAC's efforts have increased government awareness of the importance of citizen relations in daily decision-making and have resulted in better communication with the media.

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Involving and Educating Citizens Via the Budget Process

Piatra Neamț, Romania

Background

Citizens of the City of Piatra Neamț (population 125,000) were not involved in the budget process. The city budget was prepared as a financial plan to meet central government requirements but was neither an effective tool for local government to communicate to citizens nor a useful guide for the operations and management of the city. In 1995, the Mayor of Piatra Neamț, in conjunction with the Romanian Federation of Municipalities, decided to address these problems by holding community meetings on the budget and modifying the structure and presentation of the budget document.

Innovation

To allow sufficient time for community meetings as part of the overall budgeting process, the municipality prepared a calendar of budget events and started the 1996 process early. The Mayor and Finance Director held the first community meeting in the city's history in February 1995. The community meeting gave citizens an opportunity to learn about the budget and the costs of municipal services and to express their views on the services to be delivered and on the taxes and fees needed to fund them. The costs of implementing this innovation involved staff time and financial resources for preparing the agenda and presentations, advertising the meetings, copying handout materials, attending the meeting, and responding to questions.

The existing budget format was dictated by national law and could not be changed, but the Mayor believed that broader purposes of budgeting could be achieved by supplementing the existing budget document. In April 1995, the municipality published a supplemental budget booklet to serve as a financial plan and a communication device for educating citizens about how city revenue would be expended. The booklet contained descriptions of municipal services, year-to-year comparisons of revenue and expenditures, and financial summaries in tables and graphs. A community profile with demographic, economic, and service data; operating and investment budgets; a glossary of budget terms; and a list of municipal officials' duties were also included. Preparing the supplemental budget booklet was a three-month undertaking, involving the Mayor, Finance Director, and an analyst, as well as other city staff members. The costs of implementing this innovation involved the staff time to gather the information and prepare the supplemental budget as well as printing 150 copies. No legal or regulatory changes were required for these innovation.

Results

While attendance at the initial community meeting was limited (26 people), the meeting represented a major breakthrough in municipal/community relations and gave the citizens a better understanding of the budget. At the meeting, citizens suggested 11 new projects for the capital investment budget, and all participants agreed that more public meetings should be held on the budget. To encourage citizens to advise city hall of service problems more frequently than community meetings would allow, city officials established eleven district "mail boxes."

The supplemental budget booklet served as a new way to communicate to citizens, in a readable and understandable format, how the city planned to spend its budget resources. The improved budget practices were adopted by the Focșani Regia for Public Services, which in 1995 completely revised its budgeting process based on the principles and budget format developed in Piatra Neamț. The budget booklet has been widely circulated to cities in Romania.

Summary

- The City of Piatra Neamț held
- a community meeting to in-
- volve citizens in the budget
- process and make the budget
- a more effective commu-
- nication tool, resulting in
- citizen suggestions and better
- municipal/community relations.
- The city also prepared a
- supplemental budget booklet
- to provide better budget
- information to citizens.

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Improving Public and Media Relations

Razgrad, Stara Zagora, Vidin, and Montana, Bulgaria

Background

In many Bulgarian cities, the mayors' ability to communicate local government accomplishments was limited by insufficient and negative media coverage of municipal activities. This common problem was exacerbated by the proliferation of newspapers and radio stations and the consequent shortage of trained, experienced journalists. Municipalities' lack of both experience in dealing with a free press and understanding of the techniques for improving media relations was also a constraint to communication.

Innovation

In 1993, officials in the City of Stara Zagora (population 150,000) initiated a series of activities to improve their relationships with the media and inform the public of municipal government activities. The Mayor was receiving bad press in his efforts to allocate funds to a school in desperate need of repairs. He had tried to convince the media of the necessity of the repairs, but without success. Finally, he held a "special" news conference in the worst of the classrooms, where the media saw the problems first hand. The result was a complete turnaround in the media's reaction and strong support for renovation of the school.

The innovation was replicated in the Cities of Vidin (population 50,000), Razgrad (population 50,000), and Montana (population 30,000) in 1994 and 1995 as those municipalities recognized the need for full-time public relations directors. The media relations directors hired in each municipality were well qualified, with credentials that included a background in journalism. Training was provided to the media relations directors in using press releases, following up on stories, presenting stories, and optimizing media relations for the municipality.

Results

The municipalities' efforts improved media/local government relations substantially. Mayors took a more active role in communicating their priorities. In one city the mayor opened his weekly staff meetings to the media. Another city began to hold special news conferences regularly. The newly appointed media relations personnel quickly became vital to the administrations' success. A secondary impact was that media relations began to improve immediately as the feeling of distrust began to fade. Mayors reported that the accuracy levels of media reports were improving and that people seemed to be gaining a better understanding of municipal activities. The most serious constraint encountered was in convincing all parties of the genuine good will motivating the change in relations. Changes in leadership have not seemed to affect the program, as the new mayors of Stara Zagora and Vidin are continuing the changes their predecessors began.

This program can be transferred to other CEE and NIS countries with little difficulty. It is already being replicated in Albania, where a similar program has been started and a self-study document has been published in Albanian. The program is relatively inexpensive to implement (the major expense is the salaries of media relations personnel), and the potential for long-lasting return is enormous. The transparency achieved through the program benefits not only local governance but also furthers democratization at the local level.

Summary

- To improve the mayors' ability to communicate local government activities, several cities in Bulgaria hired media relations directors. Mayors also held press conferences and invited the media to attend staff meetings. As a result of these efforts, media coverage of government activities increased, and mayors reported that coverage was more accurate.

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Initiating a Proactive Public Relations Strategy

Tetovo, Former Yugoslav Republic of Macedonia

Background

Citizens in the City of Tetovo (population 200,000) lacked information about the role of local government and public utilities. Previously, the media were an arm of the government, and journalists reported stories they were told to report. Good citizen and media relations were not considered responsibilities of local government officials. Municipal staff faced a challenge in providing services in an independent media environment.

The Tetovo Communal, which acts as the city's public works department, was receiving negative coverage from the media. The Tetovo Communal is a nationally chartered urban services provider soon to fall under municipal jurisdiction. It is accountable to city government and provides water, garbage pickup, and park and road maintenance services. The Communal had never issued a press release except to convey negative information, such as when water was to be cut off for repairs. There was no coordinated system for citizen communication with the utility company, and contact phone numbers were never published. These conditions motivated the Tetovo Communal to address media and citizen relations, hoping to communicate current and accurate information to citizens, improve media relations, increase citizen understanding of the role of public utilities and local government, and involve all employees in taking responsibility for media and citizen relations.

Innovation

In June 1996 the Tetovo Communal initiated a proactive media and public relations strategy. Press releases were issued on topics such as maintenance and construction alerts, development accomplishments, and equipment acquisitions. The Communal discussed strategies for promoting media coverage of its activities, such as developing relationships with reporters and editors, creating photo-opportunities, and staging dedications for completed projects. The Communal is designing public education campaigns concerning water conservation and anti-litter programs and is including flyers describing Communal services and phone numbers with water bills to educate the public.

Results

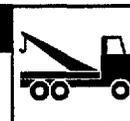
The cost of a public relations and media strategy is minimal, requiring only the cost of staff time and printing of flyers and other educational materials. The Tetovo strategy has been implemented only recently, so impacts are not yet available. The Communal hopes that the innovation will generate better community relations for the utility, increase the responsibility of each worker, and make local government decision-making more transparent.

Summary

- The Tetovo Communal has begun to undertake innovations to improve its media and public relations. It decided to issue press releases on topics such as maintenance and construction alerts, development accomplishments, and equipment acquisitions. The Communal will also promote media coverage of its activities and implement public education campaigns concerning water conservation and anti-litter programs.

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Restructuring a Local Utility

L'viv, Ukraine

Background

The municipally-owned water and wastewater service enterprise (*Vodokanal*) of L'viv (population 798,000) and its customers were facing serious problems. Residents of L'viv received water service an average of six hours a day. The *Vodokanal* was insolvent: its bills were not based on full cost recovery; it collected less than 70 percent of its billings; and half its collections were in the form of payments in kind rather than cash. The *Vodokanal* had a large and growing debt to its suppliers, principally the local electric utility. The rate structure resulted in an unsustainable cross-subsidy of residential customers by industry and enterprise customers. Political considerations prevented *Vodokanal* management from increasing tariffs to reflect the full cost of service and reducing or terminating service to customers who failed to pay their bills. The central government was no longer able to finance capital repairs and investments, and neither the City of L'viv nor the *Vodokanal* were able to finance them from their own revenues or to attract loans or investments from other sources. Also, under Ukrainian law, privatization of *Vodokanals* was prohibited.

Innovation

City officials and *Vodokanal* representatives together with outside experts created an inter-departmental task force to develop consensus regarding the restructuring process. The task force held numerous workshops and seminars to lessen the effect of frequent personnel changes, disseminate knowledge about the existing problems, and achieve consensus on possible solutions. The local officials agreed to:

- create an autonomous, financially self-sustaining water and wastewater services company.
- engage, through a competitive international tender, a private operator to manage the restructured utility.
- clarify the respective rights and obligations of the city and the restructured utility through a performance agreement setting levels of service, tariff policies, billing and collection policies, capital repair and investment policies, etc.

The task force views the creation of an autonomous utility company as essential to providing water and wastewater services in L'viv in a financially self-sustaining manner. The utility will be restructured as a joint stock company, and the city will lease the operating assets to the company to comply with Ukrainian law. Assets other than the "core production assets" may be sold to the new company.

Results

The city and the *Vodokanal* are now implementing the institutional changes that have been agreed on by local officials. The initial project design, studies, proposal preparation, and implementation will take 22 months and cost approximately \$300,000. Although the L'viv City Council will not make a decision on the proposed restructuring until the middle of 1997, a number of positive results of the project are already apparent. *Vodokanal* officials have evaluated cost recovery problems and have implemented a number of measures that have already resulted in significant improvements. In addition, local officials have begun to take a longer-term view of financial and budgeting issues than was common under the Soviet system. Moreover, city and *Vodokanal* officials have begun to actively debate the merits of making fundamental changes in the way water and wastewater services are delivered.

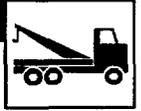
Summary

- To alleviate its financial and service delivery problems, the municipally-owned water and wastewater utility in L'viv is being restructured from a state enterprise to an independent joint stock company whose relationship with the municipality will be clearly defined by contract. Restructuring will enable the utility to achieve greater cost recovery, improve its capital investment procedures, attract capital financing, and improve water and wastewater services for the citizens of L'viv.

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Using the Request for Proposal Process for Housing Development

Banska Bystrica, Presov, Horna Micina, and Turna nad Budvou, Slovakia

Background

With the central government decreasing its responsibility for the production of housing, local governments in Slovakia began seeking ways to stimulate housing production using local and private resources. Local governments saw the Request for Proposal (RFP) process as a means of promoting private housing development on municipally owned land and achieving multiple local objectives: placing public land into private hands; encouraging the timely completion of projects meeting local development objectives; generating income for the city; and increasing the tax base through increased investment in real estate development.

Innovation

Four local governments (representing both larger cities of approximately 100,000 population and small villages near larger cities) agreed in 1995 to use the RFP process for four diverse types of projects: two involved completing unfinished housing projects of 8 to 24 units in the small villages; one of the large city projects was for the construction of 70-80 new units on a well-serviced site in a historic downtown area; and the other involved infrastructure improvements in addition to housing development. The RFP process involved publicly soliciting housing development proposals and awarding development sites to developers based on a transparent and competitive evaluation process. The RFP process for each project, from initial project identification through solicitation, receipt, and evaluation of proposals, was completed in six to nine months.

None of the communities involved had prior experience with preparing requests for development proposals, soliciting proposals from the private sector, or using objective evaluation and selection approaches. Municipal officials identified potential sites, prepared RFPs and supporting documentation on the sites, organized and conducted pre-proposal conferences and marketing campaigns, and established evaluation criteria and a process to select proposals in a fair and open manner, using multiple factors besides price alone.

Results

The results were disappointing in that the demonstrations failed to generate proposals acceptable to the participating communities. However, the demonstrations did introduce four communities to the RFP process. Municipal officials found the procedures and documentation useful for other projects (including procurement and other licensing and franchising projects unrelated to housing).

The demonstration was also valuable in identifying factors and concerns that need to be considered in designing future housing programs in Slovakia. These include the following: participating municipalities must offer high quality, thoroughly documented sites in good locations; there must be strong local demand for market-rate housing; the sites must be clear of all major problems (including legal and title concerns) and readily developable; and the municipality must be openly supportive, professional and fair, and flexible on the payment and other terms it is willing to accept.

Summary

To stimulate housing production using local and private resources, four local governments used the Request for Proposal (RFP) process. The demonstration was valuable in identifying factors and concerns that need to be considered in designing future housing programs in Slovakia.

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Using Task Forces to Improve the Management of Service Delivery

L'viv, Ukraine

Background

The deteriorating economic situation and the limited funds being made available to local governments by the Government of Ukraine required local officials to make difficult decisions about how to use available resources most effectively. In Ukraine the Soviet legacy of narrow, vertically integrated reporting made cooperation and coordination among city departments difficult. There were few functional information systems that allowed the various local government units to compare the effectiveness of their work, develop experience, and fully exploit their human resources.

In spring 1994, the Mayor of the City of L'viv (population 798,000) attended a workshop for 20 key local officials that was organized to define the city's most urgent problems. As a result, the mayor decided to tackle critical problem areas by forming special task forces composed of municipal officials from different city departments. The purposes of the task forces were to define objectives, develop plans in key problem areas, and develop strategies to mobilize resources and implement solutions. In addition, the task forces were intended to encourage city officials to feel that the city was an autonomous entity able to take the initiative in defining and solving its problems.

Innovation

Task forces were formed in 1995 to address five of the city's most urgent problems: (1) the water supply system, (2) information management, (3) solid waste disposal, (4) financial reform, and (5) economic development. The task forces aimed to develop recommendations to address these problem areas, which would then be approved by the city council.

Task force leaders were appointed by the mayor and the executive committee of the city council, and the leaders received a 30 percent salary bonus for their work. Task force members were appointed by the mayor. Each task force had about ten members, half of whom were not city employees. Initially the task forces met monthly. They also solicited ideas from universities and institutes. Recommendations were submitted to the council's executive committee for approval and then to the city council. An advertised public hearing to obtain citizen input was an integral part of the deliberation process of each task force.

Results

Reports and recommendations have been submitted by all of the task forces. In January 1996 the executive committee of the city council approved the recommendations of the solid waste task force. The task force defined new responsibilities for individuals, businesses, and government in combating pollution problems. The water supply task force has helped design a World Bank water project. The information management task force has helped guide computerization of the city hall. The financial reform task force produced a report identifying recommended reforms.

The task force concept has enabled citizens to become actively involved in the local decision-making process. Implementing the task force concept requires: (1) a "champion" willing to introduce and encourage it, (2) a clear and solvable set of problems to address, (3) city officials and citizens with appropriate technical experience, and (4) a climate in which both city staff and the public are willing to offer their advice and input.

Summary

- To tackle critical problem areas, the City of L'viv formed special task forces composed of municipal officials from different city departments.
- The task forces, which solicited citizen input through public hearings, have defined responsibilities in combating pollution problems, helped design a World Bank water project, guided computerization of the city hall, and identified recommended financial reforms.

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Improving Wastewater Treatment Systems

Ziebice, Sw. Katarzyna, Namyslow, Nowa Sol, and Miedzna, Poland

Background

Because of the deterioration of the local infrastructure systems in the Lower Silesia Region, local governments needed to improve the quality of their wastewater treatment plants. Inadequate facilities dating as far back as the early 1900s posed serious environmental and health hazards. In many areas, untreated wastewater is still being discharged directly into watercourses. There are serious service delivery problems, and inadequate operating techniques are being employed. Inefficient initial designs of plants have resulted in high operating costs, and incentives for effective operating practices, proper maintenance, and repair have traditionally been weak. In most cases, the existing wastewater infrastructure is unable to handle population and business growth. To address the critical problem of providing wastewater treatment, five small to medium size Polish municipalities, Ziebice, Sw. Katarzyna, Namyslow, Nowa Sol, and Miedzna (with populations of 14,500–43,000) decided to improve the management and cost-efficiency of local infrastructure investments.

Innovation

With outside assistance each municipality drafted an overall infrastructure plan that identified the most appropriate technologies, management techniques, and financial planning procedures to help identify and respond to the environmental problem created by untreated wastewater discharges into watercourses. Each city worked collaboratively to develop a Project Analysis Report (PAR), which consisted of a technical, organizational, and financial analysis of the municipality's potential and capability for capital investment. These PARs were the basis for designing projects and implementation schedules, allowing municipalities to save both time and money.

Seven specialized training courses were developed to fit the cities' needs. Training in management and operation of water and wastewater treatment plants, municipal financial planning, and public information was provided to 211 local government officials from 42 cities. The training courses introduced a methodology for evaluating municipal infrastructure problems and identifying cost-effective solutions appropriate to Poland. The training improved management skills of local officials, facilitated public input in the decision-making process, enabled cities to complete their own long-range plans for wastewater facilities, and introduced a market-based approach to public service delivery.

Specific procedures both for bidding specifications and bid evaluation were introduced based on the PARs, which considered both operating and maintenance costs. The cities revised their bidding procedures by involving a number of external experts from cooperating local and regional agencies, NGOs, and private consultants.

Results

All municipalities prepared technical and financial analyses considering both the operating and maintenance costs and the quality of services. These analyses resulted in estimated savings of \$4.5 million in capital construction and \$262,500/year in operating and maintenance costs. The cities held public hearings on the specific changes they were considering. All five cities secured financing for improving their wastewater treatment plants. Currently, the Cities of Miedzna and Sw. Katarzyna are constructing new wastewater treatment plants, and the Cities of Namyslow, Ziebice, and Nowa Sol are modernizing and expanding the capacity of their existing plants. The cities are now undertaking a market oriented approach to budget planning and service delivery.

Summary

- To improve deteriorating local infrastructure systems in the Lower Silesia region, five Polish cities decided to improve the management and cost-efficiency of their wastewater treatment plants. Two of the five Polish cities are constructing new plants and the remaining three are modernizing their existing plants.

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Improving Public Transportation Management

Ternopil, Ukraine

Background

Because of lack of access to spare parts and capital repair services, public transportation service in the City of Ternopil (population 205,000) had drastically deteriorated since independence. The principal means of urban transport is electric buses. By November 1994, the operating fleet was less than 50 percent of that in 1989. Waiting times were long, and buses were so overcrowded that fare collection was impossible to enforce. More than 30 percent of passengers rode for free legally, but an estimated additional 25 percent of riders were failing to purchase tickets. In 1994, revenue from fares covered less than 16 percent of operating costs, and the subsidy required from the city budget exceeded US\$1 million. The city developed a comprehensive program to augment deficient city services; reduce municipal subsidies for transportation and work toward a self-sustaining system; establish a long-term plan for maintaining the bus fleet and adding to it as needed; and create economies of scale by cooperating with other cities on transportation purchases.

Innovation

The multi-faceted program to improve public transportation service started by providing a modest fund (\$182,000) for spare parts and capital repairs to restore the public transportation fleet. Inspectors were added to all buses to monitor ticket purchases; and tickets, which were previously only available at kiosks, were made available on buses. The program also assessed the public transportation service system and developed a plan for improvement. Bus company management and city officials addressed the wide range of technical and management issues required to make both short- and long-term improvements in public transportation, while at the same time reducing the subsidies from the city budget.

Results

At a ribbon-cutting ceremony in November 1995, 15 repaired and refurbished buses were officially added to the fleet, thereby increasing passenger capacity by almost 40 percent. By June 1996, the operating fleet reached 68, with an availability ratio exceeding 75 percent. Fare revenue now covers about 60 percent of total costs, including a substantial fund for operating costs and fleet improvement. Illegal free riding has been reduced to less than 5 percent. Additional revenue from advertising and from rental of commercial space at bus stops is small, but increasing. The operating subsidy from the city budget has been reduced by almost 50 percent to about \$500,000 for 1996. Focus group interviews indicate that the public no longer considers public transportation as a major municipal service problem. Continuing innovations are expected, such as private supplementary mini and midi motorized buses, contracting for services, and cooperative joint purchases of parts with other cities.

Summary

- The City of Ternopil developed a comprehensive program to improve its public transportation service. As a result, the number of buses in service has increased, and the operating subsidy from the city budget has been reduced by almost 50 percent.

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Strengthening Management of Municipal Companies

Trencin, Slovakia

Background

In Slovakia semi-autonomous municipal companies provide the majority of public services at the local level, including services such as solid waste collection, street cleaning, maintenance of green spaces, and burial services. These municipal companies are established by the council, and the manager is nominated by the mayor and appointed by the council. Typically, several council committees have jurisdiction over these companies. Oversight is usually provided by two different offices under the mayor. The extent of the oversight of the companies varies greatly from town to town, but there is no effective institutional advocate for the long-term needs of the companies within the municipal structure. Very little statistical information is available to the mayor and the council concerning the costs and revenues connected with specific activities performed by such companies. Performance indicators and cost centers are not utilized. Generally, there is no central facility to monitor and respond to complaints or to evaluate performance. Monthly reports tend to be financial in nature and not programmatic. The City of Trencin (population 58,000) had three such companies, and city officials decided to consolidate two of them to improve efficiency and accountability.

Innovation

The purposes of Trencin's consolidation of two of its three municipal companies into a single new entity, the Technical Services Company (TSC), are to strengthen management procedures and council oversight, provide better information for decision-making, and put into place better management techniques and procedures. The consolidation plan calls for the creation of a single council committee to oversee and monitor the activities of the TSC. This council committee will act as a board of directors, which will meet with the company manager on a monthly basis to review performance, carry out strategic planning, develop capital budgets, and provide oversight and advocacy for the TSC. The council committee will be held accountable for the TSC's activities. The consolidation plan outlines improvements in management practices, which include setting up a centralized complaint system, introducing cost centers and performance indicators into the budgeting and management processes, preparing informative monthly reports, and updating the inventory and evaluation of the TSC's physical facilities.

Results

In July 1996, the municipality started to implement the steps outlined in the consolidation plan. The municipality consolidated two of its three semi-autonomous companies and appointed a new general manager with managerial experience to oversee operations of the newly formed company. At the same time, the municipality is considering the establishment of a single council committee to provide oversight and advocacy for the company.

Summary

To improve the management systems and oversight of its semi-autonomous municipal companies, the City of Trencin decided to consolidate two of its three municipal companies. The consolidation plan calls for improving council oversight and introducing performance-based management systems.

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Improving the Management of Municipally-Controlled Infrastructure Systems

Brasov, Romania

Background

In Romania, *regii autonome* (public services corporations) provide local water, wastewater, district heating, and garbage collection facilities and services. The regii have their own boards of directors but are under the control of local governments, either cities or judets (counties). They are funded from user fees and from capital and operating subsidies that are passed from the national government through the local governments to the regii. As public subsidies decline in Romania, regii face a variety of service delivery challenges. Plants and equipment are outmoded and undermaintained. Many facilities are inadequate to meet the demand for services. Capital resources are scarce, and artificially low utility rates do not cover operating costs. In the past, the regii did not have to be concerned with maximizing efficiency, providing cost effective services, financing capital improvements, or responding to customer complaints. Today, however, regii are being forced to be more efficient and improve their management and operating practices. The City of Braşov (population 324,000) and its water/wastewater regia, Apa, undertook innovations to improve the regia's management and technical skills.

Innovation

Recognizing the need to adopt new approaches to managing infrastructure systems, the management of Braşov's regia, "Apa," decided to introduce a variety of management, operating, and technical changes to improve efficiency and the quality of services. Staffing patterns and organizational arrangements were analyzed and improved. Water production was increased by modifying the water filtration system, and a method to recover backwash water was installed. Planning was improved by installation of a computerized model to evaluate the water distribution system. Wastewater treatment was improved by adopting an improved low cost aeration system at the Poiana Braşov plant that will enable the regia to meet Ministry of Environment standards. To qualify for a loan from the European Bank for Redevelopment and Reconstruction (EBRD), the regia prepared a three year operating plan and developed a leakage control strategy, and the city approved significant increases in utility rates.

Results

Because the regia demonstrated a willingness and capability for change, Braşov was one of five cities to qualify for EBRD financing to improve its water and wastewater systems. The regia has a plan in place to reduce operating costs, increase income, and generate funds to repay the EBRD loan. Water production has increased by 12,000 cubic meters per day at little or no extra cost, and wastewater treatment has been improved. A long-term planning process has been developed. Also, special project implementation and leakage control units have been created within the regia. With committed management and leadership, similar improvements and efficiencies can be introduced elsewhere.

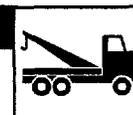
Summary

- To be more efficient and
- improve its management and
- operating practices, the water/
- wastewater regia in the City
- of Brasov undertook innova-
- tions to improve the regia's
- management and technical
- skills. As a result, Brasov was
- one of five cities to qualify for
- EBRD financing to improve its
- water and wastewater sys-
- tems. Water production has
- increased by 12,000 cubic
- meters per day at little or no
- extra cost, and wastewater
- treatment has been improved.

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Privatizing Maintenance of Municipally-Owned Housing

Odessa, Kharkiv, Kiev, and Lviv, Ukraine

Background

Until recently, maintenance of the vast municipally-owned housing stock in Ukraine was provided by small, state enterprises called *Zheks*. Despite large municipal subsidies, the quality of maintenance service remained low. When privatization of municipally-owned housing was introduced in 1992, poor maintenance of common areas diminished the value of housing assets and served as a disincentive to ownership. Housing sector assessments performed in 1992 indicated that municipalities could no longer afford to subsidize *Zheks* and that new homeowners were willing to pay more for high quality maintenance. To reduce costs and improve housing maintenance, Ukrainian municipal governments tested the feasibility of private maintenance of the public and private housing stock.

Innovation

Ukrainian cities fostered competition through market-based bid solicitation for private housing maintenance. In 1994 and 1995 the practice was implemented in Odessa (population 1.1 million), Kharkiv (population 1.6 million), and Kiev (population 2.6 million). Cities were trained in transferring housing management responsibility to private sector companies. They held competitions to select private contractors to maintain packages of 1,500 to 2,000 housing units. Changes in resident satisfaction were assessed through "before and after" attitude surveys. Based on positive demonstration results, the practice was expanded across Ukraine. Regional seminars introduced the concept to housing officials and professionals, forming a nationwide information network. Model documents, such as bidding procedures and contracts containing results-oriented performance standards, were widely disseminated, and a "How To" manual was developed to assist local officials in implementation. No national legal reforms were required to privatize housing management and maintenance; local governments adopted enabling resolutions. No additional local or state funds are required, as contractors are funded at the same level as the *Zheks* and are profitable because they are typically more efficient. Implementation of this practice requires two to four months, allowing sufficient time to publicize and conduct the competition.

Results

The innovative practice has been very successful to date: over 80,000 units are now privately maintained. Another 60,000 are expected to be privately maintained in the near future, including over 22,000 units in Kiev, 8,000 in Lviv, 18,000 in Kharkiv, and 1,500 in Odessa. Other, smaller cities with populations between 100,000 and 500,000 have also implemented the practice with equally impressive results. The condition of common areas in privately managed housing has improved, and municipalities have realized the economic benefits of better housing maintenance at no additional cost. Housing assets have been preserved through the introduction of preventive maintenance, leading to higher tenant morale, and the rate of housing privatization has increased. This practice has introduced the concept of protecting the value of housing assets through high quality maintenance, promoted the perception of housing maintenance as a profitable and respectable business, and facilitated the development of an important new business sector. This privatization practice is replicable across the NIS and Central and Eastern Europe.

Summary

- To improve the maintenance of municipally-owned housing and encourage housing privatization, Ukrainian cities awarded contracts for housing maintenance to private sector contractors through a competitive process. As a result, cities have realized the economic benefits of better housing maintenance at no additional cost, and the rate of housing privatization has increased.

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Saving Money Through Competitive Contracting

Taldy-Korgan, Kazakhstan

Background

Under the former command-style economy, goods and services were procured by plan rather than according to market forces. Regional and municipal government procurements frequently still follow previous arrangements. The traditional practice in the region (oblast) of Taldy-Korgan (population 717,000) had been to purchase coal for oblast and city departments on an "as and when needed" basis. As a result, during 1995 the prices paid by the local government for coal were high, ranging from \$20 to \$25 per ton. In April 1996 the Deputy Mayor of the City of Taldy-Korgan (population 136,400) decided to reform this process by carrying out a competitive procurement of coal to demonstrate that local government could achieve significant savings over its customary procurement arrangements. In addition, the practice aimed to impart skills in bidding, advertising, pre-bid conferences, and tender evaluation and award, so that the procurement would be conducted in a fair, open manner and attract sufficient suppliers to ensure competition. Competitive contracting reduces costs, makes the government procurement process more transparent, encourages private sector participation, and allows for more efficient financial management.

Innovation

Procurement managers agreed to combine the needs of all departments into a large single tender. The result was the preparation of a tender for one million tons of coal. The oblast, however, found itself unlikely to have the funds to pay for more than 300,000 tons of coal. As a result, the tender amount was reduced, but the tender required the successful bidder to offer up to an additional 700,000 tons at the same price over the six month period following the first delivery. The Taldy-Korgan City Utility Department prepared bid specifications for prospective bidders, including what type of coal was needed, where it should be delivered, and other such information. This was included in the bid documents distributed to bidders. The tender was advertised in the local media, and letters of invitation were sent to known contractors and prospective bidders to maximize participation. Sealed bids were to be delivered to a tender award committee by a specified date and time, and the advertisements announced the date and time for a mandatory pre-bid conference and for the public opening of the bids. The pre-bid conference was focused on the rights of bidders and provided a forum for bidders to ask oblast and city coal "experts" questions concerning the bid specifications, payment, delivery, and other areas of concern. Two days after the pre-bid conference, bids were delivered to the Procurement Committee, headed by the Vice Mayor of the oblast.

Results

Ten bids were received, ranging from \$12 to \$17 per ton. The bids were opened in a public ceremony on June 19, 1996, which was televised live to demonstrate the transparency of the process. The oblast awarded contracts to four of the lowest bidders; coal delivery under those contracts has already begun. All bidders were reputable suppliers, and the low bidder in fact supported his bid with a bank performance guarantee for 20 percent of the contract price, the first known instance of such a guarantee in Kazakhstan. As a direct result of the competitive process, Taldy-Korgan achieved at least a 50 percent savings over the previous year's expenditures on coal. If additional coal is purchased at the low bid price, the oblast's total savings could be in the range of \$4 million to \$5 million. The process demonstrated that given an open and fair tender, enough bids would be received to make the process competitive. Competitive contracting is highly replicable. Necessary skills, such as estimating and producing specifications, are readily available in local government in the CEE and NIS. The principal tools needed to introduce competitive contracting are a well-defined and systematic set of procedures, such as those used in Taldy-Korgan.

Summary

- To demonstrate that local government could achieve significant savings over its customary procurement arrangements, the City of Taldy-Korgan carried out a competitive procurement of coal. As a result, Taldy-Korgan achieved at least a 50 percent savings over the previous year's expenditures on coal.

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Improving Solid Waste Management Practices

Ozd, Hungary

Background

Solid waste collection and disposal and landfill maintenance have typically been subsidized through city taxes, with only a portion of the actual costs paid by customers. In the City of Ozd (population 47,000), the solid waste services were fragmented, with a city-owned company, Komszolg, being responsible for solid waste collection, and the city being responsible for landfill maintenance. Both services were inadequately funded, with user fee revenues insufficient to meet annual operating costs or to provide any funds for capital investments. Although the city government had provided operating subsidies to the Komszolg in recent years, city officials were facing their own financial constraints. Waste collection fees had been raised but still did not reflect the real cost, and there was a high percentage of uncollected bills. The financial situation of the Komszolg was complicated by its weak budgeting process (inadequate bookkeeping, collection and reporting of financial information, and management of the budgeting process) and absence of a realistic operating and capital budget. The financial reports generated by the Komszolg did not provide useful management information, and there was no central planning or coordination of company finances. In addition, the quality of management of the landfill was declining.

Innovation

To improve the deteriorating solid waste collection and landfill practices, the City of Ozd formed a management committee to oversee the Komszolg, with a city councilor serving as chair. The Komszolg was required to prepare a business plan and a technical plan to be formally approved by the City Council. To coordinate solid waste services, the city transferred responsibility for landfill operations to the Komszolg, and the landfill disposal fee was tripled. The solid waste containers were transferred to the Komszolg's ownership. To improve the financial situation of the Komszolg, the city agreed to waive all rental fees for the building occupied by the Komszolg and made a one-time grant to the Komszolg to be used as an operating subsidy, and a capital grant for the purchase of new trucks and equipment.

City officials agreed to prepare legislation for a special local tax that would be earmarked for solid waste collection. If approved, this tax would be substituted for the existing local collection fees to eliminate problems with uncollected bills.

Results

The operations of the landfill have greatly improved; for example, all garbage is covered on a daily basis, reducing pollution and contamination, and a peripheral surface drainage system has been installed to eliminate leaching of contaminants into the landfill's ponds. The city has also taken additional steps to improve solid waste disposal: it prepared a detailed plan for landfill upgrades and submitted a request to the county and central government officials for support in implementing its plans. Another result of the initiatives is that the Komszolg's financial position has been improving.

Summary

- To improve the deteriorating solid waste collection and disposal services, the City of Ozd formed a management committee to oversee the Komszolg, transferred responsibility for landfill operations to the Komszolg, tripled the landfill disposal fee, and prepared legislation for a local solid waste collection tax. The landfill operations were greatly improved, the city prepared a detail plan for landfill upgrades, and the Komszolg's financial position has improved.

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Coordinating Medical Waste Management

Miskolc, Borsod-Abauj-Zemplen County, Hungary

Background

In Hungary, environmental pollution control is a responsibility of the local governments, although the national government sets the laws and standards monitored by the Ministry of Environment and Regional Planning. Landfills in the City of Miskolc (population 191,000) were being polluted by medical waste generated by two municipally owned hospitals, ten county hospitals, and other medical facilities. An in-depth survey was conducted in April 1994 to collect data from the medical facilities on the amounts of solid and liquid medical wastes generated, waste management, and training in health and safety issues and measures. Also, data were collected on handling practices including separation, identification, collection, measurement, transportation, treatment, and disposal of medical waste. Results showed a lack of effective management practices such as the use of poorly functioning incinerators without required emissions controls.

Innovation

At the initiative of city officials a medical waste coordinating committee was formed to effectively and cooperatively address the medical waste pollution problem. The coordinating committee included representatives from all hospitals and medical facilities surveyed, the county Public Health Institute, the Regional Environmental Inspectorate, and local city and county government officials. Between March and May 1995, three workshops were held. At the first workshop the coordinating committee discussed the survey results and the assistance needed by hospitals to initiate action plans for effective medical waste management. At the second workshop, national government officials presented the survey results, reviewed recommended actions, discussed alternative treatment technologies, and addressed potential solutions. A third workshop was held to assess the hospitals' progress in drafting a medical waste management policy and to set action plan deadlines.

During 1995, city and county government officials worked closely with the hospitals and the medical facilities to implement action plans. In May 1996, a meeting was held for directors of Regional Environmental Inspectorates, to discuss medical waste management from the perspectives of both the recommended implementation plans and environmental feasibility. Appropriate recommendations were drafted regarding the Ministry of Environment and Regional Planning hazardous waste regulations. A final training workshop was held for hospital directors and administrators. As part of the workshop, a video on medical waste practices that was made at one of the participating hospitals was evaluated.

Results

Hospitals have improved their medical waste management practices. The coordinating committee proved valuable as a vehicle for developing and implementing cost-effective solutions to medical waste management and pollution problems and in making policy recommendations to the national government. Regulations addressing hazardous waste, recently issued by the Ministry of Environment and Regional Planning, now better reflect what is actually achievable by the hospitals and enforceable by local officials. Based on this experience city and county officials elected to cooperate in establishing a regional treatment facility based on a mutual agreement between the Mayor of Miskolc and the president of the Borsod county council. The project, with its emphasis on cooperation, improved health and safety measures, cost-effectiveness, and environmental protection at the local level, is a successful model that could be replicated in other communities.

Summary

- Local government officials in cooperation with hospital representatives and regional health and environmental departments initiated programs to improve public and environmental health protection. Moreover, through a collaborative effort, local governments made policy recommendations to the national governments regarding health and safety measures and environmental protection regulations.

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Improving Cost Recovery Through Water Metering

Orenburg, Russia

Background

In Russia the provision of communal services such as potable water is inefficient and ultimately financially unsustainable. In 1992, only a small percentage of costs for communal services were recovered from households in Russia; the rest were covered by public subsidies. Residential customers have little incentive to conserve water or repair leaks, as they are billed for water use based on state estimates rather than meter readings. As part of a comprehensive water sector reform project in the City of Orenburg (population 650,000), the Department of Housing, the City Pricing Committee, and the municipally-owned water and wastewater service enterprise (*Vodakanal*) decided to demonstrate the benefits of metering water consumption. The city hoped that metering would increase water conservation efforts and generate revenue while clarifying the roles and responsibilities of service providers and customers.

Innovation

To test the benefits of water metering, the Orenburg *Vodakanal* purchased water meters and installed them in eight demonstration buildings. After examining apartment buildings for the pilot meter installation, the *Vodakanal* concluded that water use should be metered at the building level rather than the apartment level. It would have been preferable to meter water flow at the apartment level to better align individual household billing with actual consumption, but the apartment buildings inspected were not designed with water metering in mind. Building-level data on water flows were collected for three months, beginning in December 1995. In reviewing billing and collection procedures, the *Vodakanal* found that residential customers were substantially under-billed as a result of using fixed norms to estimate bills rather than meter readings. A cost-benefit analysis of data collected led to the conclusion that metering apartment buildings, along with other sectoral reform measures, would yield net benefits in the form of increased revenue generation and heightened water conservation. The cost of implementing this innovative practice, including the costs of pilot metering, was approximately \$300,000.

Results

As a result of the pilot water metering project, the *Vodakanal* realized that its billing system did not reflect the true costs of service provision. Therefore, the *Vodakanal* is exploring the revision of billing norms and the city-wide installation of meters. Metering will generate additional revenues because state estimates of water use consistently underestimated actual water consumption. Metering will result in greater water conservation, as households will use water more carefully and repair leaky pipes. Households will not be unduly burdened by paying for water based on meter readings, as water will cost the average Orenburg family only 0.2 percent of its income. While this percentage of household income will increase as water tariff subsidies are reduced, the overall initiative was still deemed affordable. Orenburg is now expected to improve the tariff approval process, allowing tariff levels to automatically increase as prices for key inputs increase. The city is also expected to begin shutting off service for chronic non-payers.

Metering should not be implemented on its own, but as part of a comprehensive water sector reform package including a public education campaign with mechanisms for customer feedback. A water metering manual that draws heavily on the Orenburg pilot has been prepared and can be used to facilitate replication of the innovation. The practice is now being introduced in Novgorod and Pskov, and discussions have been held with St. Petersburg.

Summary

- To determine the benefits of
- metering water consumption,
- the City of Orenburg installed
- water meters in eight demon-
- stration buildings. A cost-
- benefit analysis of water
- usage data collected showed
- that metering apartment
- buildings, along with other
- reform measures such as
- cutting off service for chronic
- non-payers, would yield net
- benefits in the form of in-
- creased revenue generation
- and heightened water con-
- servation.

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Improving Solid Waste Collection and Disposal

Gyor, Hungary

Background

In Hungary, many municipal public services such as waste collection and disposal, street sweeping, and park and cemetery maintenance were traditionally provided by the city's Public Works Department. Waste collection and disposal have typically been subsidized through city taxes, with only a portion of the actual costs paid by property owners. Lack of revenue combined with old, inefficient equipment for collection resulted in poor performance and expensive collection and disposal. Over time, this led to unsanitary conditions in cities and unsightly disposal sites that were health hazards. The difficulty of obtaining sufficient capital resources led some cities to develop joint ventures with Western investors, with the city normally maintaining a controlling interest in a jointly owned private company. Typically, this led to increased costs to cover the investment returns required by the investor. Officials in the City of Gyor (population 134,000) in northwest Hungary realized they had to change the typical operations of their public service department but did not want to form a joint venture.

Innovation

Instead of forming a joint venture, the city formed a Communal Services Company and hired professional management to improve efficiency and solid waste collection and disposal practices. Financial, collection, and disposal operations of the Communal Services Company were analyzed, and many low cost or no cost improvements were identified. A separate budget was established for the company.

Operations at the landfill—which previously consisted of uncontrolled dumping of waste across a broad slope, open fires, uncontrolled scavenging and no records of what was delivered to the site—were greatly improved. Outdated collection equipment was replaced with high compaction refuse trucks. This increased the number of stops trucks could make per day, decreasing the number of trips to the landfill and the number of employees. A solid waste recycling and separation program was initiated, and an accounting/security system that provides proper invoicing and accountability for all users of the landfill was established. The company fenced the landfill and planted trees to reduce health hazards and is currently developing a new, lined landfill.

Results

In 1992, the Communal Services Company was losing money each year due to inefficient operations and lack of cost controls. Professional management and the implementation of the improvements mentioned above have not only made the company more efficient and improved the landfill operations so that they meet European standards, but also made the company profitable within a three-year period. The changes have resulted in the company being the focus of training activities for other cities and towns that want to learn how to make their services more efficient. Also as a result of the company's performance over the last three years, the City of Gyor has expanded the workload of the company to include park maintenance and land reclamation.

Summary

- To increase efficiency and improve solid waste collection and disposal practices, the City of Gyor formed a Communal Services Company and hired professional management. As a result of the improvements, the company has increased its efficiency and become profitable within a three-year period.

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Generating Local Revenue by Taxing Telephone Services

Oroshaza, Hungary

Background

Hungarian cities during 1990–1995 faced annual inflation rates exceeding 25 percent. At the same time, the central government was reducing subsidies to municipalities. Additionally, the central government was delegating previously performed national government functions to local governments without providing the financial resources to cover those services. Oroshaza (population 34,600), like many Hungarian communities, sought ways to increase local revenue to finance the city's essential services. Consequently, in 1995 Oroshaza adopted a local 1 percent industrial tax on the gross receipts of all local businesses except utility companies (i.e., telephone, gas, electric, and water service). Under national legislation adopted prior to 1989, publicly owned utility companies were exempt from the tax.

Innovation

During preparation of the 1997 fiscal budget, the Oroshaza municipal budget staff considered ways to broaden local taxes. Attention soon focused on whether the local industrial tax could be applied to utility companies. Since 1989, telephone, gas, electric, and water companies have been privatized. These private companies were earning profits and were no longer owned by either the state or the City of Oroshaza. With privatization of utilities, investors and shareholders were benefiting from a tax exemption that was no longer appropriate. Oroshaza obtained a legal opinion clearly stating that municipalities could impose the local industrial tax on privately owned utility companies because these companies were no longer protected by the national legislation exempting public utilities from the industrial tax. Oroshaza subsequently adopted legislation applying the local industrial tax to telephone service.

Results

In October 1996, the city received its first payment of the tax from the local telephone company. The 1996 total annual payment will be over 1 million Hungarian forints (US\$10,000). Presently only 10 percent of the homes in Oroshaza have phone service. Telephone services are expected to increase over the next two years, which will significantly increase revenues to the city. Additionally, whenever the telephone company wishes to increase local rates, the city will benefit. In the coming year, the Mayor and finance staff of Oroshaza may consider applying the local industrial tax to cable television, gas, and electric service. Adoption of these taxes will also provide a measure of protection against high inflation rates and declining subsidies from the central government.

Summary

- To help finance local services,
- the City of Oroshaza imposed
- a local industry tax on the pri-
- vated telephone company.
- Previously, utility companies
- were publicly owned and
- therefore not subject to the
- tax. In 1996 the tax will gen-
- erate more than US\$10,000 in
- additional revenue for the city.

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Relating User Fees to the Cost of Service

Bourgas, Bulgaria

Background

The City of Bourgas (population 210,000) recognized that it was collecting very little money for issuing building permits. The permit fees were based on a percentage of the estimated construction cost, which should have generated substantial income. Very little revenue was collected, however, because permit applicants' cost estimates were grossly understated and the city had no reliable data on construction costs. At the same time, obtaining a building permit took a great deal of time due to system inefficiency and an understaffed city department.

Innovation

In spring 1995, the city decided to evaluate the permit issuing process and determine the true cost to the city of issuing building permits. The city designed a cost-of-service model that allowed it to calculate the direct and indirect costs, including both capital and operating costs, of issuing permits. Concurrently, each step in the process of issuing a permit was identified and analyzed. The city found that the cost far exceeded the revenue obtained from permit applications and that the permit issuing process could be substantially streamlined.

Based on the analysis of the cost of issuing a building permit the city decided to change its practices and enforce the existing law, which allowed the city to charge a fee based on the true cost of construction. To do this the city needed accurate data on building costs for use in determining the cost of a building permit. The Chief Architect was assigned responsibility for developing a database on current market prices. The city also recognized the need to convince the public that increased permit fees were justifiable and that permitting should be a "fee-based" service. A public media campaign was initiated to publicize the cost of service study, and the city made a commitment to use the increased fees collected to hire more staff and improve the permitting service.

Results

The city has increased collections and hired more building inspectors. As a result, building permits are being processed more quickly. The new staff and increased user fees have also improved permitting by ensuring that permits are meaningful in that they meet health and safety standards. The city no longer accepts builders' cost estimates but uses its own database to estimate construction costs on which the permit fee is based. The predominant share (approximately 70 percent) of providing the permitting service is now supported by user fees, with a long-term goal of 100 percent.

The "cost-of-service" methodology developed can be used by other cities to undertake similar studies and establish an empirical and transparent basis for setting user fees for local government services. User fees can help to finance improved city services.

Summary

- The City of Bourgas designed a cost-of-service model to calculate its true costs of issuing building permits. The city has increased collections and is processing permits more quickly, with increased staff and streamlined procedures.

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Generating Revenue Through Auctioning Land Use Rights

Bishkek and Osh, Kyrgyzstan

Background

Traditional land allocation systems in Kyrgyzstan did not take account of the potential impacts of market forces on land use and made valuable land use rights available without realizing any revenue to the city. The Chief Architect of the City of Bishkek (population 800,000) wanted to develop a new way to allocate land that would utilize market forces and generate revenue for the city while encouraging private investment and development. After considering the legally-permitted options, he initiated a process of sealed-bid auctions of land use rights because auctions are easy to organize and administer, do not require expensive preparation by bidders, and are not easily open to corruption or question. Soon thereafter, the City of Osh (population 250,000) initiated a similar process.

Innovation

In Bishkek and Osh, the Mayor and Chief Architect assigned city staff to draft regulations establishing a committee to oversee preparation for the auction. The committees in Bishkek and Osh were composed of five to twelve top city officials involved in land issues, as well as additional experts. Auction committees determined the parcels, permitted uses, and types of rights to be auctioned. The committee also set a starting price for each parcel, under which no bids were accepted, and held a public informational meeting for potential bidders. City staff prepared the necessary documents before the auctions were held, including application forms, general information, descriptions of the parcels, and bid forms and envelopes. Participants in the auction paid a deposit of 10 percent of the starting price before bidding began, part of which was refunded to losing bidders. For each parcel offered, the land use rights were awarded to the highest bidder, who signed an auction protocol and purchase and sale agreement with a city representative. The Bureau of Technical Inventory then registered the sales and issued the documentation allocating the parcels to the winning bidders, who paid the city within 10 days.

A sealed bid auction process provides good and transparent documentation for all transactions and can be conducted by city employees in city facilities. The cost of holding an auction varies based on staff time and the cost of advertising, the largest cost component. Auctions in Bishkek and Osh have cost only a few hundred dollars to conduct, primarily because the advertising campaigns have relied heavily on state-owned or operated media.

Results

At Bishkek's first auction in August 1995 bids were made on five land parcels. Since then Bishkek has held nine competitive auctions of land rights, which have earned the city over \$60,000. Osh conducted two auctions in 1996 in which it sold 99-year usage rights on nine parcels of land, earning the city nearly \$12,000. Attendance at the auctions has varied from a few to over 50 bidders, and as many as 12 bids were placed on some land parcels. Bidders are most interested in parcels when the use rights, taxes, development fees, and other obligations such as infrastructure provision are clearly defined. In addition to generating revenue for cities, the auctions have dramatically altered the way land is allocated by replacing traditional procedures with competitive methods.

In August 1996 Bishkek and Osh sponsored a national conference for chief architects from more than thirty major Kyrgyz cities, all of whom expressed interest in holding auctions of their own. An auction manual and training video are available, which should make the practice easily replicable. This format is also transferable to other city functions, such as procurement, construction tenders, and disposal of surplus inventory and equipment.

Summary

- To allocate land in a way that
- would utilize market forces
- and generate local revenue,
- the City of Bishkek held a
- sealed bid auction for land use
- rights. Since then Bishkek has
- earned over \$60,000 through
- competitive auctions of land
- rights. Also, the City of Osh
- conducted two auctions of
- land use rights, earning nearly
- \$12,000.

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Increasing Local Revenue Through Percentage Leasing

Pitești, Romania

Background

Romanian cities are still under the direct control of the central government in almost all aspects of their operations and financing. In particular, cities receive nearly half of their income as direct subsidies from the government—and the amount of the subsidies is generally not finalized until nearly mid-year. Locally generated revenues derive mainly from a share of the national income tax and from leasing of non-residential properties for commercial usage. These properties cannot be sold because the central government has not yet resolved the patrimony issue. The leases are typically long term and are based on a rate per square meter, adjusted annually for inflation. Consequently, even though the business (the lessee) may prosper over the ensuing years and may benefit from the city's business development efforts, the only benefit that the city (the lessor) receives is the inflationary adjustment from the original lease.

Innovation

To increase local revenue in a fair way, percentage leasing of city controlled properties in Romania was proposed so that a city could directly benefit from its efforts to support and encourage businesses. As a city improves the area surrounding a business, encourages other businesses to locate nearby, improves transportation services, and streamlines permit and licensing procedures, the business is better able to prosper. Under a percentage lease agreement, a business shares its increased revenues with the city. The city receives regular payments from the business's operations, based on gross or net revenues as specified in the lease. The increased cash flow will enable the city to invest in further improvements to the immediate area, promoting even more prosperity for the surrounding businesses. Eventually, the revenue from percentage lease arrangements can underwrite redevelopment activities throughout the city's commercial areas.

The City of Pitești (population 180,000) has implemented a percentage lease agreement. In spring 1996 the city was approached by McDonalds Corporation about opening one or more restaurants on an appropriate site(s) to be provided by the city. The Mayor and the City Council entered into a lease arrangement with McDonalds whereby the city will provide the property and will receive 1.5% of gross sales (excluding VAT). The city has entered into a similar lease with Amoco Oil Company at a new service station site. In coming months, the city will develop standardized contracts and forms to streamline reporting procedures under percentage lease agreements.

Results

Because the new businesses have not yet begun operating, the actual revenue flow to the city cannot yet be determined. When the city does begin receiving payments from its businesses, the revenue stream will not only lessen the effects of inflation but will also reflect Pitești's efforts to improve the business climate of the community.

Perhaps the most important lesson learned by the City of Pitești from implementing percentage lease agreements is that local governments can be innovative. Historically, the absence of local autonomy and home rule prevented any action that was not specifically authorized. This innovative project has given the City of Pitești a sense of autonomy from the central government and confidence in its own decisions that along with similar actions by other Romanian cities will speed the devolution of power.

Summary

- To increase local revenue in a fair way, the City of Pitești implemented percentage leasing of two city controlled properties. The resulting revenue stream will not only lessen the effects of inflation but will also reflect Pitești's efforts to improve the business climate of the community.

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Generating Revenue Through the Sale of City-Owned Land

Ekaterinburg, Russia

Background

Recognizing the rapid decline in public funding for new housing construction, the City of Ekaterinburg (population 1.6 million) sought to stimulate private housing development. The city identified poor access to land as the most significant obstacle to growth of the construction industry and the emergence of private land and housing markets. Land values in Ekaterinburg did respond to market forces, but there was no effective land market because all land was publicly owned. Furthermore, the existing system of allocating development and use rights favored large, public-sector *kombinats* rather than the emerging small, private builders and developers. The city concluded that sale of vacant city-owned land for development would both stimulate the private construction sector and generate local revenue. Procedures, legislation, and documentation for market-based land disposal strategies were refined, and the city adopted a well-defined procedure for competitive bidding as a means to give equal access to developers and create a realistic market price for land.

Innovation

In 1993 Ekaterinburg initiated the first land tendering effort in the Russian Federation by issuing a mayoral resolution authorizing the sale of development rights. The necessary approvals were obtained and offered with the development rights to speed development and remove uncertainties for the developer, increasing the value of the land parcels. The sale of development rights was advertised and tender documents distributed to interested parties. Private developers were then given training in preparing bids and in calculating realistic bid prices for the sites. The city evaluated bids and negotiated with the top bidders, resulting in the sale of the development rights to a private developer. The city agreed to convert the development rights to ownership rights for the developer once federal legislation permits. As sale of land to developers was not legal at that time, cities normally gave away free perpetual use rights in exchange for a percentage of housing units being constructed, to be converted to private ownership for the ultimate purchasers of housing units. The land tendering effort focused on in-fill sites that were already serviced with major infrastructure to reduce time for construction and approvals and to capture the full price of serviced parcels from the buyer. The only costs to implement this innovation involved the time of tender staff.

The city offered two sites totaling 1.1 hectares for sale of development rights to construct low-rise townhouses and apartments. More than 20 prospective bidders requested tender documents, and over 30 local builders and developers attended a five-day training seminar. Five bids were received (all for both sites); the development rights were sold to the private firm UralMonolith in 1994. The sale price for the site was roughly five times the reserve price set by legislation, resulting in increased revenues for the city. UralMonolith is building 60 townhouses on the two sites; the first phase of construction is in progress, with the first units scheduled for completion in late 1996.

Results

The demonstration achieved its objectives. This was the first land sale in Ekaterinburg in which the city and developer contracted for the sale of development rights convertible to ownership rights. The sale allowed the city to adopt an active approach to disposal of municipally-owned land, facilitate private development, and generate local revenue. Many of the procedures refined in the Ekaterinburg innovation were modified and replicated in six cities that conducted land auctions during 1995 and early 1996.

Summary

- To stimulate private housing development through easier access to land, the City of Ekaterinburg used a competitive bidding process to grant development rights for two sites. The development rights will be converted to ownership rights for the developer when legislation allows. The sale allowed the city to adopt an active approach to disposal of municipally-owned land, facilitate private development, and generate local revenue.

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Facilitating Sales of City-Owned Land to Private Enterprises

St. Petersburg and Nizhny Novgorod, Russia

Background

Among the top priorities for reform following the collapse of the Soviet Union in 1991 was the privatization of state-run enterprises. Most had been privatized by late 1994, but the land beneath and around them was still controlled by the municipal government. Under Russian law, enterprises have typically had land use rights that are not easily transferable. The absence of a transfer mechanism impeded the establishment of a real estate market, thereby impeding development, investment, and efficient land use. With the security of land tenure and the availability of additional capital that government-to-enterprise title transfer would engender, it was thought that enterprises would be better able to attract domestic and foreign investment. Land privatization was seen as the next vital step in the Russian Federation's efforts to create a market-oriented economic system. The goal of the Enterprise Land Sales (ELS) Initiative was to demonstrate the benefits of land privatization and to train a large cadre of professional Russian staff in ELS concepts and methodology so that the approach and mechanism could be institutionalized.

Innovation

Beginning with a pilot effort in St. Petersburg (population 5 million) and Nizhny Novgorod (population 1.25 million) in November 1994, enterprises identified parcels of land for possible title transfer and began the application/sales process. Municipal and regional government analyzed and revised their legislation. All efforts were coordinated closely with the State Property Management Committee, but efforts focused on government officials at the local level. The cities created working groups of city officials to oversee the initiative. The working groups drafted regulations on procedures for selling land to the owners of enterprises, application forms, title forms, and buy-sell agreements for the land parcels. Procedural forms were prepared for comments and approvals from various government agencies, such as the Committee for Land Resources and Land Management. The mayors then issued orders authorizing and approving the draft regulations. Municipal personnel were trained in procedures for processing enterprise land sale applications. Publicity campaigns were organized to inform enterprise managers and the general public of the project.

Local Property Funds, municipal government agencies charged with planning and implementing land reform, received applications from enterprises and coordinated the applications and preliminary parcel maps with relevant government agencies. The property funds also negotiated any problems with the purchaser, prepared and signed the buy-sell agreements, and notified the Committee for Land Resources and Land Management to issue and register title.

The costs to cities implementing this practice can be covered by fees charged to the applicants. Training materials are available, including the manual used for the ELS Initiative in Russia based on the experiences in St. Petersburg and Nizhny Novgorod and supplemented by model forms and enabling regulations.

Results

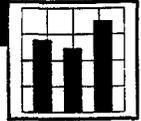
In the fall of 1995 the practice was expanded to over 30 cities and oblasts across Russia. As of July 1996, 406 transactions had been completed, and 1,174 were in progress. The initiative exposed many Russian real estate professionals and organizations to the ELS approach. Even with the uncertainty that surrounded Russia's presidential campaign, municipalities and enterprises responded enthusiastically.

Summary

- To privatize land attached to enterprises and thereby encourage investment, Russian cities beginning with St. Petersburg and Nizhny Novgorod revised their legislation and initiated applications/sales to transfer land title. As of July 1996, 406 transactions had been completed, and 1,174 were in progress.

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Improving the Budget Process

Szolnok, Hungary

Background

With the transfer of government responsibilities to municipalities, Hungarian cities have considerable autonomy to make a variety of decisions impacting the lives of their citizens. City budgets must now allocate limited financial resources to a diverse array of important but competing activities. Many Hungarian officials lack the information, experience, and technical skills needed to cope with an increasing complex financial environment. Hungarian cities have limited experience in assessing what impacts budget decisions have on the quality, effectiveness, and efficiency of the services being provided or on the overall community and its citizens.

Prior to introducing reforms, the budget of the City of Szolnok (population 430,000) emphasized line item detail such as wages and commodities. The budget had little information on program or service characteristics and costs, nor did it distinguish between capital and operating expenditures. The budget process did not incorporate multi-year forecasting, cost or trend analysis, or budget monitoring. The city concluded that it needed to reform its budgeting practices and procedures to make more effective use of its limited resources.

Innovation

The city wanted to develop a budget document and preparation process that would help city officials make policy decisions and to inform the public about budget issues, trends, and choices. The city chose to prepare a "program budget" that identified goals and objectives for each budget element and allocated funds to measurable outputs. The city first developed a statistical database for budget analysis that would allow it to make year-by-year comparisons of expenditures and outputs. By coupling financial analysis with program analysis under a common structure, the city is now able to view the purpose for which an activity is performed and how it relates to other similar activities rather than focusing on a maze of isolated funds and separate organizational units. In this way, service requests can be deliberated with an understanding of the long-term resources available for program support. This not only permits fiscally responsible decision-making but also enables program trade-offs as priorities change or forecasts are modified. The budget document itself was expanded and improved with a clear statement of city policies and illustrative graphs and charts to enable citizens to understand how city resources were being used. The final component of Szolnok's budget reform is the development of management systems to ensure that policy decisions are implemented.

Results

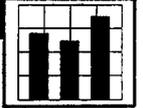
From a policy-making perspective, city officials now have a basis to make more informed decisions. The new Szolnok budget constitutes a single policy document that articulates the city's fiscal and program policies and explains the rationale for them. It is an operations guide for department and institution managers that measures their productivity; a financial plan that provides a comprehensive multi-year perspective of the city's financial condition; and a powerful communication tool that gives valuable information to citizens, businesses, investors, and central government officials.

Summary

- To make more effective use of its limited resources, the City of Szolnok reformed its budget process. The new Szolnok budget is a single policy document that articulates the city's fiscal and program policies and explains the rationale for them.

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Creating a Model for Integrated Financial Management

Nizhny Novgorod, Russia

Background

Nizhny Novgorod, noted for being one of the most reform oriented cities in Russia, was anxious to upgrade its financial management practices and procedures. The city lacked automated financial operations, the ability to integrate its budget planning and execution functions at both the central and district level of the city, and adequate audit control. To fill these gaps, Nizhny Novgorod finance department officials decided to implement budgeting practices and install accounting software, Local Government Financial Systems (LGFS), used in many major U.S. cities. The city determined that the LGFS would significantly strengthen budget planning and execution and financial audit and control and that it could be modified to accommodate the Russian federal reporting requirements. The software would provide city officials with much wider access to financial data and greater transparency of budget information.

Innovation

In June 1995, the city established an integrated computer network linking the central finance department with the eight district finance departments. This computer network eliminated the inefficient practice of double entry of city financial transactions. Next, the LGFS software was modified for use in the Russian fiscal environment. The main modules of LGFS targeted for adaptation were: budgeting, planning, general ledger, revenue accounting, expenditure accounting, accounts payable, cash disbursements, and external reporting. The challenge was to maintain the functional integrity of the LGFS software, while adapting it to comply with Russian laws and meet the reporting needs of the Ministry of Finance. Two local working teams were formed to oversee modification of the software. The first team was a committee of budget and accounting personnel, and the second team was a recently-established firm specializing in computer programming. The working committee provided guidance on adapting the software to the federal budget classification and financial reporting requirements. The programming firm received initial training from the U.S. software provider and then proceeded to implement the major modifications independently. Together, the working committee and the programming firm wrote a training manual with on-line examples to train the finance department personnel in the new system. Currently, the two teams are providing guidance on how the practices and procedures of the finance department must change to accommodate the new, advanced system. Full operation of the Russian version of the LGFS software is set for December 1996.

Results

The introduction of this innovative practice in Nizhny Novgorod led to the first integrated financial management system for Russia. The experience gained by the local programming firm in the conversion process has given it the capacity to replicate functional aspects of the Russian LGFS in its own software products. More importantly, the transparency and control features of the system will enable the city administration to be more responsive to citizen needs and improve its decision-making process. Lastly, the system will enable the city to attract investors who are concerned with the openness and accuracy of the city's financial status and practices.

Summary

- To upgrade its financial management practices and procedures, the City of Nizhny Novgorod established an integrated computer network and installed budgeting and financial management software adapted to comply with Russian laws and reporting needs.
- The transparency and control features of the system will enable the city to be more responsive to citizen needs, improve its decision-making process, and attract investors.

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Improving Financial Management with a Municipal Treasury

Karakol, Kyrgyzstan

Background

In Kyrgyzstan, as elsewhere in Central Asia, oblast (regional) treasuries maintain control of all cities' finances. Taxes collected at the city level are deposited in the bank account of the oblast treasury. The oblast maintains control of the cash before and after the city's share of revenue has been decided at annual budget time. This arrangement can lead to shortfalls and cash flow problems for cities. Moreover, the absence of audit controls and transparency in oblast treasury functions may breed mistrust between city and oblast officials. The system of oblast control of revenue was also incompatible with other financial management reforms that were being implemented in the City of Karakol (population 62,000). Those reforms provided for a general fund into which all municipal revenues would be paid, and a budget classification system against which all expenditures would be prioritized and recorded.

Innovation

In early 1996, the Mayor of Karakol began lobbying for authority to establish a separate city treasury as a means of alleviating problems arising from oblast control of the city's finances. The Deputy Oblast Governor was receptive to the idea due in part to observations he made of local government finance operations in the United States. The Mayor and Deputy Oblast Governor lobbied for approximately four months for oblast approval for establishment of a separate municipal treasury for Karakol. The Ministry of Finance approved the plan in August 1996. Karakol also established a communications link between its tax department and the oblast treasury to allow finance professionals to monitor how much cash was on deposit at the oblast.

Results

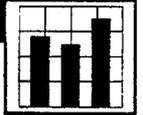
Establishment of a municipal treasury will allow Karakol's tax authorities to deposit the city's tax revenues directly at the city level, so city financial planners and management will have easy access to current information about the city's cash flow capabilities. Audit controls will allow oblast officials to monitor the city treasury to ensure that revenues have been properly apportioned. Implementation of the municipal treasury will mean an end to the inefficient practice of having to petition the oblast for money to fund municipal operations. The ability to control municipal cash flow is seen as an important step towards increasing local autonomy.

Summary

- To alleviate problems arising from oblast control of city finances, the City of Karakol lobbied for authority to establish a separate city treasury. In August 1996 the Ministry of Finance approved the plan, which is seen as an important step toward local autonomy.

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Improving Municipal Efficiency Through Task Budgeting

Cracow, Poland

Background

Municipal budgeting in Poland traditionally lacked flexibility, transparency and clarity. Budgets tended to focus exclusively on revenues and expenditures without much attention to planning, or communicating goals, objectives or desired results. Communities prepared "account code budgets," which were simply rows of figures arranged into tables, based on guidelines and instructions from the Ministry of Finance and the State government. Budgets contained no descriptive information and were almost impossible to relate to specific services actually being delivered to citizens. Moreover, budgets rarely addressed the needs of the local communities—sometimes out of fear of breaking inflexible budget rules. Beginning in 1994, the City of Cracow (population 1.2 million) began to reform its budgeting process to make more objective and rational budget decisions, and to improve the effectiveness and efficiency of municipal operations, communication with citizens, and accountability.

Innovation

As the first step in the process of introducing task budgeting, the Cracow Executive Board and City Council established overall budget goals and priorities. Then the city identified tasks necessary to achieve the goals and priorities. In the first year Cracow identified over 180 tasks. In task budgeting, a task describes a relatively uniform activity undertaken by the local authority. Persons most knowledgeable about the tasks were assigned to refine them, determine the best ways to achieve them, and identify necessary resources. After a review process, the tasks were budgeted based on the approved full costs of accomplishing them. Tasks were planned through the budget year on the basis of individually estimated costs and clearly quantified objectives. As the budget year progressed, the person responsible for a task was given authority to make changes within the basic budget unit or discontinue the task if the expected results were not being achieved, giving the city flexibility to adopt to changes after the budget was approved. The person responsible for the task prepared regular reports to facilitate monitoring of implementation activities.

The first year's budget contained the task budget and the traditional budget format so the City Council could compare the two. After seeing the different approaches, the City Council adopted the task budgeting system because of its clearer presentation, the focus upon activities and results, and the linkage between the budget and the city's goals and priorities.

In addition to the budget innovation, the City of Cracow developed a new financial accounting system that supports both task budgeting and the traditional budget reporting requirements of the State. Municipalities still must report the status of the budget to the State in the traditional account codes format. To do both in an efficient fashion, a computerized accounting system was developed with the assistance of a software consulting firm. The system continues to be modified and enhanced periodically.

Results

The task budgeting system has been a very effective tool in improving the budgeting process. It has increased coordination of activity and responsibility of individual persons involved in the budgeting process; decreased costs of task execution as a direct benefit of analyzing alternative solutions; improved communication between the city council and community; improved the planning process by incorporation of explicit city goals and priorities into the budget; and improved information on the status of city expenditures.

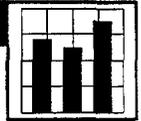
Summary

- To improve the effectiveness and efficiency of municipal operations, communication with citizens, and accountability, the City of Krakow introduced task budgeting. The task budgeting system has decreased costs of task execution and has improved communication with citizens, the planning process, and information on the status of city expenditures.

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Involving the Community in the Capital Budgeting Process

Mikulov, Czech Republic

Background

Like other Czech communities, Mikulov (population 7,700) faces difficult decisions about how to put scarce capital investment resources to best use. The transformation of the local agricultural economy has caused considerable unemployment, but demands for investments to spur new economic growth must compete with demands for better basic municipal services. The challenge for Mikulov's leaders is to balance these competing interests in a way that allays citizens' concerns about the legitimacy of the decision-making process. The Mayor of Mikulov wanted to redesign the capital investment process to educate the public about and build support for his vision of the town's capital investment priorities. As a result, the Mikulov Capital Investment Citizens Oversight Committee (COC) was created with the goal of developing a long-term investment strategy involving citizens in a transparent planning process.

Innovation

The Town Assembly established the COC, composed of technical staff from the municipal investment office and representatives of a cross-section of local and political interests, including members of the local business community, local professionals, a resident of municipally-owned housing, and town assembly members. The COC gathered information on citizens' investment priorities (through a survey) and on the municipality's capacity to finance proposed investments using a combination of state grants, shared revenue, and debt financing. Using this information, the COC evaluated different projects using an agreed-upon set of technical and economic criteria. Priority projects were assembled into two alternative investment strategies, which were presented in a final report along with COC recommendations to the Town Assembly.

The COC wanted to generate public interest in its activities and inform the public about the trade-offs involved with alternative investment strategies. This effort involved a public relations campaign to ensure coverage of the COC's progress in the local and regional media, and publication and distribution of a series of informational brochures. To solicit public input into its final recommendations, the COC held outreach discussions led by individual COC members and a public meeting that presented the COC's alternative investment strategies. The initiative lasted from April to December 1995, timed to coincide with the town's budgeting cycle. Direct expenses incurred for this initiative consisted of approximately \$300 for publication of information and publicity materials and the cost of municipal staff time.

Results

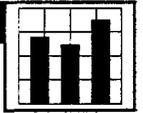
In the Town Assembly's debate on the capital investment portion of the 1996 municipal budget, there was across-the-board support for the COC's final report outlining alternative investment strategies. While the short-term impact of the COC's work was constrained by unforeseen financial and political circumstances, the initiative's long-term impact is more important. This effort generated widespread public interest in the capital investment process, as demonstrated by the overwhelming (98 percent) response rate to the resident survey. By incorporating public input, this effort exposed community leaders and the general public to a transparent process of selecting municipal investments in a fiscal environment marked by declining state capital investment subsidies and increased reliance on private financing. Moreover, this demonstration of a new, transparent approach is likely to result in demands for sustained public input into the decision-making process in future years.

Summary

- To demonstrate how citizens
- can become involved in a
- transparent process to develop
- a long-term investment
- strategy, Mikulov created a
- Citizen's Oversight Committee
- (COC). The COC initiated a
- public relations campaign to
- solicit public input into the
- capital investment process.
- The COC's efforts generated
- widespread public interest and
- support from the Town
- Assembly.

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Improving City Hall Budgeting Skills and Practices

Oradea, Romania

Background

Cities in Romania follow instructions and guidelines from the Ministry of Finance in organizing and developing their annual budgets. The City of Oradea (population 221,000) was interested in improving the budgeting skills of its staff and the budget document itself to make it a more useful tool in managing the city's financial resources. During 1994-1995, the city developed new practices, and procedures to improve the city's budgeting process and produce a budget that provided more comprehensive information on estimated revenues, expenditures, and trends.

Innovation

Oradea instituted a series of new budget practices and procedures that enabled it to improve and professionalize the budget process; more effectively analyze expenditures and revenues; set budget priorities; and produce a budget document that could better inform citizens, the local council, and city hall staff. The city created a new position (budget analyst) in the Economic Development Department and initiated a budget analysis process. Budget data were computerized so that trends and options could be quickly and efficiently analyzed and the effects of inflation could be considered; previously, all budget data were calculated by hand. The payroll system was also computerized to improve efficiency and keep expenditure records up-to-date. City officials created computerized financial reports to periodically provide up-to-date information on expenditures and revenue as well as a regular budget calendar to let officials know when various budget actions would occur. A process of public budget hearings was established to review the proposed budgets and past expenditure patterns of city departments, and the reporting of data to support departmental expenditure requests was standardized through newly developed budget reporting forms.

Results

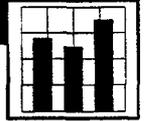
Oradea has implemented an improved budgeting process. The budget provides better information to local officials and the public, which allows them to make more informed decisions in determining how anticipated funds should be spent. City departments are required to justify their proposed expenditures and show the extent to which they meet departmental objectives, transforming the budget from an accounting document into a management tool. The Oradea budget has been circulated within Romania and to other countries in CEE and has generated significant interest among cities in creating similar budgets. The budget has been presented to Ministry of Finance officials in Romania and has helped generate a dialogue among local and national officials about how to improve the national budget law.

Summary

- To improve the budgeting
- skills of its staff and to make
- the budget a more useful tool
- in managing the city's finan-
- cial resources, the City of
- Oradea instituted new budget
- practices and procedures. The
- city hired a budget analyst,
- computerized many aspects of
- the budgeting process, estab-
- lished a budget calendar, and
- held budget hearings. Oradea's
- new budget process helps
- local officials and the public
- make more informed decisions
- about the expenditure of
- funds.

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Improving Budgeting Using a Computerized Model

Vladimir, Russia

Background

Traditional budget practices in Russia, a legacy from the Soviet era, are based on federally dictated bookkeeping and control mechanisms that fail to give municipal officials an in-depth understanding of their city's budget. Also, budget information has rarely been available to the public. After exposure to the U.S. practice of using budgets as management tools, however, some Russian municipal officials wanted the budget process to be better understood by both decision-makers and citizens. A computerized model developed from experience in other countries was therefore adapted to the Russian Federation to analyze expenditure and revenue trends and fiscal conditions and display the relationships in a format understandable to the public and city officials.

Innovation

Beginning in April 1995, the City of Vladimir (population 1.6 million) developed the Budget Analysis and Transparency (BAT) model, a computerized representation of the current city and district budget frameworks in Russia. The model gives city officials the ability to perform trend and comparative analyses of revenues and expenditures. It can also be used for simple revenue forecasting by extrapolating from historical data. By assembling, analyzing, and displaying monthly budget data, cities can improve the efficiency of the decision-making process and formalize and automate their budget planning process. The user-friendly graphics of the BAT model facilitate presentation of fiscal information to citizens at budget hearings and to potential creditors. The model also offers several debt financing options and estimates the city's debt carrying capacity. The model can thus focus debate among decision-makers on the most critical areas for reform and can support investigation of the potential impact of revenue and expenditure alternatives.

The basic input into the model is a standard monthly report on revenues and expenditures, which is easily converted into spreadsheets for manipulation and analysis. The model is capable of storing and tracking five years of financial data. Other required inputs include monthly and annual consumer price indexes and population estimates. The model can group revenue items by taxing authority, adjust for inflation, make per capita calculations, and show percentage changes from year to year. To operate the model the city uses a 486 computer, Microsoft® Windows and Excel software, and a color printer. The Russian model was developed in three months and customized for Vladimir in six weeks. After two weeks of training the Vladimir city staff began to use the BAT model in October 1995.

Results

The Mayor of Vladimir used many of the graphs and charts generated by the BAT model during pre-election public meetings, and the Vladimir Department of Prospective Development has used the model to analyze the city's fiscal conditions. Because of the uniform budget reporting system left over from the Soviet era, the model's structure is valid for cities throughout NIS and can thus be easily replicated in NIS. The model has already been installed in five other cities in the Russian Federation. The BAT model is simple and straightforward, is fairly low cost, and is particularly suitable for small and medium sized cities. Replication in other countries outside NIS would require substantial adjustments to the model.

Summary

To allow the budget process to be better understood by both decision-makers and citizens, the City of Vladimir created a computerized budget analysis model. The Mayor has used graphs and charts generated by the model during public meetings, and the Department of Prospective Development has used the model to analyze the city's fiscal conditions.

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Creating an Information and Analysis Unit

Gdynia, Poland

Background

In the early stage of the transition, Polish local governments rejected the strong control of planners over development policy. However, the evolution of the free market in Poland convinced officials of the need to reintroduce planning and regulation in local and regional development policies. Local governments realized that these new planning and regulatory methods must be based on the dynamics of the free market and balanced with the needs and interests of the local citizens. The City of Gdynia (population 250,000) faced a major obstacle in preparing city development strategies: the lack of current and appropriate information on the city's economic and physical condition. To overcome this, the city developed a database of demographic and economic information.

Innovation

In early 1995, the city began to develop a database that would enable city development policy to be guided by analysis of the local economy. The city established a small unit within the Economic Policy Department to develop and institutionalize analytical capacity within the city administration. Two local economists were hired to work part time with the city staff as joint leaders of the economic analysis team. The team surveyed city and non-city sources to develop baseline data and prepared a work plan for collection of data covering 1989 to 1994 based on these findings and according to needs expressed by a user group. Real estate and business information was collected through mail, telephone, and face-to-face surveys, some of which were conducted by a local research firm. Using the data collected, the team analyzed economic trends occurring in Gdynia and the surrounding region and developed projections for the next five years. The analysis examined changes in variables such as economic productivity, investment patterns, and profitability by form of ownership; growth sectors in the emerging private sector; trade patterns; population growth trends; and employment, land, and building utilization patterns. Based on the analysis, the team recommended a strategy through which the City of Gdynia could institutionalize the data collection and analysis process to be used in strategic planning. The team also conferred with all participants in the city's strategic planning process to identify training needs.

Results

The data collection and analysis took place over a one-year period. By the end of the year, a considerable database had been developed, and the city began publishing monthly statistical reports. A difficulty encountered was that the city staff who were members of the analysis team were not able to fully participate in the analytic aspects of the project. This was due to both a lack of appropriate training (neither were economists) and time limits. As the city staff developed the database, greater demands were placed on them to produce informational reports and brochures, limiting their time to work directly on the economic analysis. In future, the local economic institute will carry out this task and provide data to the information unit, thereby institutionalizing the activity at a reasonable cost. The overall result of the innovation is that the city has significantly increased its base of information to be used for decision-making, promotion, and project assessment. As a result of these activities, the city now recognizes the need to collaborate with other cities in the region to produce a database of regional information.

Summary

- To overcome a lack of current and appropriate information on its economic and physical condition, the City of Gdynia established an information and analysis unit and developed a database of demographic and economic information. By the end of the year, a considerable database had been developed, and the city began publishing monthly statistical reports.

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Establishing a Low-Cost Title Registration System

Vishgorod, Ukraine

Background

In the early 1990s, local governments in Ukraine were dissatisfied with the system of real property registration. Ownership of real property was not guaranteed through any legally-backed system, and there was no coordination among governmental agencies and committees responsible for land and real property. Private sector growth was limited due in large part to the lack of economic and legal infrastructure. Economic reform in Ukraine required an effective title registration system to support legal rights to real property. Local governments wanted a user-friendly and inexpensive juridical titling system that would give real estate brokers, mortgage bankers, and the general public low-cost access to title information. Local governments wanted to institutionalize this system in a title registration office financed through its own operations.

Innovation

By computerizing detailed government maps and titling data, Vishgorod developed a transparent reporting and recording system of titles and associated data to support private and commercial rights. A pilot title registration office was established in 1994 in the Town of Vishgorod (population 22,500). The title registration system was designed in conjunction with the State Committee on Land Resource; the Main Administration of Geodesy, Cartography, and Cadastre; the State Committee on Urban Development and Architecture; the Bureau of Technical Inventory; and the Rayon of Vishgorod. This high-level cooperation ensured that a coordinated system would be established. The legislation necessary to support the juridical aspect of the title registration program has been passed at the local level and is currently being considered at the national level.

A Ukrainian company developed an inexpensive, PC-based titling system that combines an information registration system with a geographic map link, allowing data to be entered, stored, and retrieved quickly and easily by municipal employees. The geographic map link allows users to select a parcel of land by pointing and clicking with a mouse on digitized maps in the Microsoft® Windows environment. The title data are then retrieved and displayed in the registry database. Input from the local municipal employees was solicited to ensure that the system would be useful and appropriate.

The title registration office has been operational since January 1996. The office is financed through document registration fees; any surplus fees will be added to the municipal budget. The total budget for developing the title registration office was approximately \$390,000. While the pilot was implemented in 15 months, a similar project could be replicated in about 9 months and at a lower cost. A "How To" manual is currently being prepared for distribution to other interested municipalities.

Results

The title registration system in Vishgorod has increased the security of land ownership rights, which are the basis for increased investment by the private sector. The institutionalization of title registration has resulted in the coordination of responsibilities among the relevant government agencies and committees. This has increased the likelihood that more market-oriented legislation will be adopted concerning land tenure. Most importantly, municipal officials in Ukraine have recognized the crucial role of an effective juridical title registration system in guaranteeing property owners' rights. Implementation of a similar practice is underway in Irkutsk, Russia, and projects in three more Ukrainian cities will soon begin.

Summary

To support legal rights to real property, a user-friendly and inexpensive computerized title registration system was developed in the Town of Vishgorod and institutionalized in a fee-supported title registration office. The title registration system gives the public low-cost access to title information and has increased the security of land ownership rights, encouraging increased private sector investment.

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Supporting Associations of Housing Cooperatives

Kazakstan

Background

Beginning in 1995, several cities in Kazakstan assumed an activist role in facilitating the formation of housing cooperatives. Cities took initiatives to raise fees for communal services and utilities to market rates and provide targeted housing allowance programs to households less able to pay the full cost of these services. These initiatives led to national government resolutions that established a market pricing system and provided social protection to citizens. By January 1997, a total of more than 3,600 homeowner associations and cooperatives had been formed. These cooperatives were formed to address the responsibility for the common areas and land adjacent to buildings with privatized housing units. Local officials were used to the highly organized Soviet housing structure and needed to find a way to work effectively with the multitude of housing cooperatives. As a response to the demands raised by the cooperative leaders, local officials encouraged the formation of Regional Associations of Housing Cooperatives.

Innovation

Since October 1996, housing cooperatives have begun to join together to form regional associations of housing cooperatives, which are non-governmental organizations (NGOs). Local officials see these organizations as an effective, interactive link between homeowner cooperatives and the government and as possible sources of training and consultation for cooperatives. Some cities have gone so far as to provide office space for associations. The regional associations have begun to use their collective bargaining power to advance the common interests of their membership through negotiations with utility providers and municipal governments. The associations also plan to provide training for housing cooperative boards of directors and other training and informational services to their members. In January 1997, a national workshop in Almaty brought leaders of the regional associations of homeowners together for the first time with senior officials of the government and members of Parliament. The workshop was noteworthy for the high level of interaction among the participants and the opportunity for homeowner associations to influence the national agenda.

Results

Eighteen regional associations of housing cooperatives now exist in Kazakstan, representing approximately 30 percent of all housing and about 1,000 housing cooperatives in the country. By working together through regional associations, individual housing associations and cooperatives have already shown their potential for influencing policy at the national and local levels, as well as their ability to form bargaining units that can obtain more competitively priced services for their members. The regional association in Semipalatinsk successfully negotiated price reductions for liquid gas and hot water on behalf of its member cooperatives. The same cooperatives also worked with the local government to define alternatives to the government requirement that housing cooperatives sign the contract for utilities of the individual units. The Semipalatinsk association convinced the local government to order a reduction in tariffs charged by suppliers after the association documented the real cost. Homeowners now have a choice: they can be metered individually or through the cooperative. Finally, one outcome of the January 1997 workshop is a draft decree that incorporates a broad range of policy issues outlined in a letter submitted to the President, Prime Minister, and Parliament by the associations. One important feature is a mandate that local governments provide office space for associations.

Summary

- To work effectively with the
- multitude of housing cooperatives, local officials in Kazakstan encouraged the formation
- of regional associations of housing cooperatives. Eighteen
- associations now exist, representing approximately 30 percent of all housing and about
- 1,000 housing cooperatives in Kazakstan. The regional associations have already shown
- their potential for influencing policy at the national and local
- levels, as well as their ability to form bargaining units that
- can obtain more competitively priced services for their
- members.

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Improving Neighborhoods Through a Partnership Program

Lublin, Poland

Background

Polish cities have suffered from extreme neglect and decapitalization for over 40 years. The social and economic policies of the communist regime created disincentives for residents to improve their homes and neighborhoods. To counter the continuing deterioration of low-income neighborhoods and involve residents in improving their neighborhoods and homes, the City of Lublin (population 360,000) wanted to implement a realistic upgrading and revitalization strategy. The city decided, as a neighborhood development strategy, to create public/private partnerships that would plan, implement, and finance the rehabilitation of deteriorated neighborhoods. Lublin hoped that such partnerships would increase the rehabilitation of dwellings by the private sector and encourage private sector participation in the rehabilitation of city administered housing stock.

Innovation

The city decided to test the concept of creating neighborhood/city partnerships to plan, implement, and finance the rehabilitation of deteriorated neighborhoods. It concluded that the development of a participatory planning process involving the city, citizens, NGOs, and businesses in the community was key to the success of the initiative. Two older deteriorated neighborhoods dating from the 19th century with a mix of single and multifamily units, some of which were illegally built, were selected as demonstration sites. Because these neighborhoods had been selected for redevelopment, they had been denied access to infrastructure. To work around the hierarchical structure of the Lublin government, the city created interdepartmental teams to develop an interdisciplinary approach to neighborhood revitalization. During a two year planning and outreach period, the interdepartmental teams engaged residents in planning infrastructure improvements that would be financed through a cost sharing formula with the city. The municipality covered 50 percent of the cost of water, sewer, and power lines; 70 percent of the cost of roads and sidewalks; and 100 percent of the cost of drainage and street paving. As the planning evolved, the city came to realize that it was important to obtain the support of local businesses. As a result the Polish Opportunities Industrial Center, the Lublin Development Foundation, and the City Department of Promotion were invited to participate in planning discussions.

Results

Water, sewer, and gas lines were installed in various streets with organizational and financial participation of the residents. In the two pilot neighborhoods, 137 housing units were rehabilitated. Almost 50 new micro-enterprises employing 120 persons began operating. The initiative showed that participatory planning and community based development processes could result in improved neighborhoods and substantial private investment. This innovation convinced city officials and neighborhood residents that by working together they could rejuvenate poor neighborhoods. The neighborhood partnership concept is now being expanded to housing rehabilitation in Lublin's Old Town. A report and case study have been prepared on the process of organizing the neighborhood associations and the interdepartmental team and designing and implementing the demonstration.

Summary

- To counter deterioration and
- involve residents in improving
- their neighborhoods and
- homes, the City of Lublin
- created public/private part-
- nerships that planned, imple-
- mented, and financed the
- rehabilitation of two deterior-
- ated neighborhoods. Water,
- sewer, and gas lines were
- installed; 137 housing units
- were rehabilitated; and almost
- 50 new micro-enterprises
- began operating.

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Facilitating Condominium Formation

Vladimir, Russia

Background

Privatization of a large number of apartments as well as divestiture into private hands of enterprise housing created a huge management and maintenance burden for city agencies. In February 1995, the City of Vladimir (population 1.6 million) issued several decisions to encourage condominium formation, including a Decree of the Mayor on organization of condominiums. Despite the Decree, only two condominium associations were registered during 1995. One of the factors contributing to the reluctance of apartment owners to form condominium associations was the lack of private companies capable of providing housing management services. Only apartment owners who had the time and experience to manage their own buildings were interested in creating condominium associations. To encourage the formation of condominiums, the city designed a program to demonstrate the benefits of good condominium management to owners of privatized units, train people to be condominium managers, and plant the seeds of a market for housing management services.

Innovation

The city began efforts to encourage owners to organize condominium associations in February 1996. The city administration used mass media to disseminate information on condominiums among residents. The city distributed flyers, provided interviews, drafted articles for the press, and aired information on radio and TV. In addition, approximately 80 buildings were selected for special attention and assistance.

Realizing that formation of condominium associations would create new employment opportunities for housing managers, the city administration, together with the Russian Employment Service, organized training for unemployed residents of the targeted buildings. Participants were trained on how to register condominiums, the role of the board president, and how to provide professional management services. With the assistance of Military Committees, similar training was provided to retired army officers looking for new jobs. Some additional measures to support condominiums were also undertaken, including preparation of a model agreement for subsidizing condominium associations (i.e., giving them the same assistance as municipally owned buildings during the transition to market rents).

Results

During February–September 1996, seven condominium associations were registered in Vladimir. One of the associations hired a professional manager who had participated in the training program. Several other training seminar participants now serve as presidents of condominium associations. During the same period, nine additional training seminars were provided, each attended by 25–30 people. About 30 percent of attendees expressed their willingness to organize a condominium association in their building and then serve as the condominium manager. Progress has been slow because of the reluctance of other residents, but trained residents now have tools with which to encourage change. In addition, the training course has been institutionalized and is now delivered regularly by trainers from the City Department of Housing and Communal Service and representatives of the Employment Service.

Summary

- To encourage the formation of condominiums, the City of Vladimir disseminated information, provided training to interested residents, and prepared a model agreement for subsidizing condominium associations. During February–September 1996, seven condominium associations were registered in Vladimir.

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Using a Database To Improve Housing Management

Srem, Poland

Background

In Poland the housing stock owned by local governments was deteriorating, and cities lacked information and systematic inspection processes that would assist them in carrying out the required capital repairs in a timely and cost effective manner. Local governments in Poland received the responsibility for setting rents last year from the national government. To assist in its new tasks of setting rents and assessing capital repair needs and estimated costs, the City of Srem (population 30,000) decided to develop a database on its housing stock, which consisted of 70 buildings and 900 units. The database would serve as a tool to increase city capacity to deliver services efficiently, manage financial and human resources, and increase the comprehensive value of its housing assets.

Innovation

The City of Srem designed and developed an integrated housing management database and information system to help officials manage the city owned housing stock. As part of the process of developing the information system, the city designed unit and building inspection procedures; cost estimating methodologies; and systems for analyzing rent setting policies and the impact of rent increases on housing allowances.

The database includes files on each tenant, unit, building, and housing allowance recipient. The database also can calculate the kinds of repairs that the housing stock requires and estimate the cost of such repairs. When the analysis of the data is completed, information derived from the system will permit the city to assess the backlog of capital repair needs and estimated costs, thereby permitting prompt and cost effective response to the repair needs. In turn, this will help arrest the deterioration of communal housing, and in the long run reduce the cost of maintaining and repairing the city's housing. It will further serve as a tool for rent setting and management, and a database for monitoring rent arrears and housing allowances.

The city encountered several implementation problems. To meet the needs of the city, the database became more complex than envisioned, and it still lacks a self standing accounting system for rent management. Also, changes in local staffing required that training be repeated.

Results

The software for the information system has been completed and provided to the city. The housing units have been inspected, and the data are now being analyzed. The database will help the city better manage its housing assets, develop improved housing repair strategies, and resolve rent setting and collection problems. Similar systems could be established in other Polish cities.

Summary

- To provide information for setting rents and assessing capital repair needs and estimated costs, the City of Srem developed a database on its housing stock. The database will help the city better manage its housing assets, develop improved housing repair strategies, and resolve rent setting and collection problems.

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Developing a Comprehensive Public Housing Policy

Szolnok, Hungary

Background

Decentralization undertaken at the beginning of the 1990s increased the power and decision-making responsibilities of Hungarian local governments. In addition, local governments became the owners (landlords) of the state owned housing stock. Because expenses of the public housing sector far exceeded rent collections (due to low rents and monopolistic and inefficient housing maintenance), the easiest reaction to the new autonomy would have been to sell the units to the tenants at prices lower than their value. Some local governments, however, wanted to apply a different approach that would lead to a better functioning public housing sector. Because local government officials lacked an overview of the links between the various aspects of housing policy (privatization, rent setting, housing allowances, and housing management), however, they rarely succeeded in doing more than discouraging sales.

Innovation

In early 1992, the City of Szolnok (80,000 inhabitants) started to develop a comprehensive housing policy with elements to address rent reform, housing privatization and housing maintenance and to implement a means-tested housing allowance system. The novelty of the approach was its comprehensiveness: all the important aspects of housing policy were reviewed, and new solutions were suggested based on empirical investigation.

- The *rent reform* initiative introduced a market oriented rent system, where rents corresponded to apartment values. This led to a dramatic change in the rent structure of the city's housing stock of 4,000 units: rents for unpopular housing on the outskirts of the city (which were the highest in the previous system because the high cost of district heating was reflected in the rents) were only increased by 50 percent, whereas rents on units in good inner city neighborhoods with more highly valued individual gas heating were increased by almost 400 percent. On average the rent increase for all units was only 100 percent, introducing a market-imitating rent structure without increasing rents to actual market levels in the first step.
- A new *housing privatization strategy* was adopted. The strategy maintained the city's right to determine which stock was for sale and to set prices that, while substantially below the market, were not the "giveaway" prices used elsewhere.
- As part of a new strategy for *housing maintenance*, the municipality took over asset management from the state maintenance company. By introducing new private contracts, contract monitoring, and competition for the property management function, the city demonstrated to tenants that higher rents would be used to provide better service.
- The introduction of a *means-tested housing allowance system* was important to ensure that low-income families could afford rent and utility increases. A fully computerized system to evaluate requests for housing allowances was introduced and connected to the municipality's existing databases. This was the first income-based housing subsidy program in Eastern Europe.

Results

The new housing policy was introduced—after a long period of discussions, public hearings, and a vote by the local assembly—in May 1993. The municipality housing office was reorganized, and a field office was established to handle requests for housing allowances. The new rent structure won the acceptance of the citizens with a very low number of appeals. The number of applicants for the housing allowances has increased from the initially low level. A private maintenance company under contract with the city is providing maintenance services, resulting in improved maintenance of the housing stock.

Summary

- To improve the functioning of its public housing sector, the City of Szolnok developed a comprehensive housing policy that addressed rent reform, housing privatization, housing maintenance, and income-based housing subsidies. The housing policy was introduced in May 1993, resulting in the introduction of a market-oriented rent system and improved housing maintenance.

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Facilitating the Formation of Condominium Associations

Yerevan, Armenia

Background

Since 1993, the City of Yerevan (population 1.2 million) has witnessed a rapid transfer of public housing into private hands. Roughly 80 percent of the public housing stock has been privatized. Until recently, no mechanism existed for private apartment owners to assume responsibility for management and maintenance of their buildings. City "Zheks" (public housing service organizations) continued to provide maintenance, which was minimal at best. In June 1996, the Parliament adopted a national Condominium Law to provide the legal foundation for the formation of condominium associations. To facilitate implementation of the new law, Yerevan developed a comprehensive program to encourage and assist condominium formation.

Innovation

The city's condominium program consists of three components: establishment of a new Office of Condominium Registration and Implementation (including eight district offices), development of courses and a condominium training center at Yerevan State University, and development of a public awareness program.

Since its formation, the city condominium office has focused on:

- developing a city-wide strategy to organize clusters of residential buildings into logical condominium groups
- encouraging residents to organize and register buildings as condominiums
- training city staff to facilitate condominium conversions and assist residents in the process
- providing incentives for condominium registration
- providing training to directors of newly established condominiums
- encouraging private firms to enter into the fields of property management and maintenance.

Two one-day courses have been developed: one for new condominium directors and one for city staff serving as facilitators. Each course has an accompanying substantive textbook. The public education campaign has been promoting the benefits of private housing and the condominium concept through news releases, television advertisements, an educational video, a handbook of model documents required for condominium organization and registration, and several manuals on various aspects of condominium management.

Results

In the first three months of the program, 200 condominiums with approximately 8,000 apartment units were registered in Yerevan. The city has established a cadre of trained facilitators who can assist residents in organization and registration. The Yerevan State University training courses are being well attended by new association board members. It is anticipated that all public residential buildings will be converted to condominiums within three years.

Summary

- To facilitate implementation of the new Condominium Law, the City of Yerevan established a city condominium office, developed courses and a condominium training center, and developed a public education program. In the first three months of the city's condominium program, 200 condominiums with 8,000 units were registered.

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Developing Housing Through Cooperatives

Białystok, Bielsko-Biala, Cieszyn, Gdynia, Hajnowka, Jastrzebie-Zdroj, Nowy Dwor, Rybnik, Szczecin, and Zory, Poland

Background

The advent of democratization and economic reform in Poland shifted responsibility for housing from central authorities to newly-elected local governments. Faced with critical housing shortages, local governments looked for effective methods to stimulate the private housing delivery system. Housing cooperatives in Poland were historically huge organizations with several thousand members. Because of the large size of cooperatives, their members lost control in the cooperative decision-making process and, consequently, lost interest in participating in the process. After the fall of communism, the original concept of cooperative housing was revisited as a source for private housing development.

Innovation

Small, privately initiated cooperatives in the Cities of Białystok (population 300,000) and Zory (population 30,000) have demonstrated the viability of democratic, cooperative housing development in a market economy. The housing cooperatives negotiated with city officials and purchased municipally-owned land, prepared cash flow analyses and feasibility studies for their construction projects, and obtained the necessary financing. A step-by-step manual entitled "Democratic Cooperative Housing Development: Procedural Manual for Poland" was developed based on this experience. Subsequently, ten non-governmental organizations—Agencies to Support Housing Initiatives (AIMs)—were established to support the cooperative housing movement and to effectively address housing issues on the local level. During an 18-month period, local agencies were trained and guided in the organization of small, democratically run cooperatives that would develop new housing for their members. The AIMs, which are situated in Białystok, Bielsko-Biala, Cieszyn, Gdynia, Hajnowka, Jastrzebie-Zdroj, Nowy Dwor, Rybnik, Szczecin, and Zory, have become the coordinators, as well as providers, of technical assistance, for both the public and private sectors in housing development.

Results

The housing cooperatives in Zory and Białystok completed construction of 132 new housing units. In the cities replicating the innovation, ten NGOs were established, and construction of over 180 units has begun. A total of 475 housing units, in the form of townhouses or small apartment buildings, are slated for construction in the next year. Most importantly, a replicable model of developing small democratic housing cooperatives was established. Local government officials from the Czech Republic, Hungary, and Lithuania have expressed a desire to implement similar practices. With adjustments for the legal differences between countries, the model can be easily transferred to other CEE and NIS countries.

Summary

To stimulate the private housing delivery system, the Cities of Białystok and Zory worked with private housing cooperatives that make decisions democratically, enabling them to purchase and develop land for residential housing that responds to the needs of their members. The housing cooperatives in Zory and Białystok completed construction of 132 new housing units. In the cities replicating the innovation, ten self-sustaining NGOs were created, and construction of over 180 units has begun.

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Using Zoning To Regulate Land Development

Chernihiv, Ukraine

Background

Local level land management in Ukraine, based on the Soviet model, still depends largely on central planning. Consequently there is no efficient, market-oriented system for local management of land development. Over time, municipal leaders in the City of Chernihiv (population 310,000) came to see this system as inefficient, ineffective, and threatening to the historical character of their city. In April 1992 it was determined that Chernihiv would no longer follow the prescribed national norms for housing design. The combination of a new concept plan, which placed increased decision-making power in the hands of citizens, and a changing legal framework, which began to recognize ownership and other forms of legal occupancy and control of land, posed a challenge to municipal authorities. Under the new system, urban planners feared the loss of their ability to control development in accordance with the city's concept plan.

Innovation

Ukrainian planners and economists recognized that zoning would provide both control and flexibility for owners and users of land. Zoning divides the city into areas according to the desired use of land (residential, business, industrial, or public), allowing the local government to broadly outline the long-term land use policy and economic development plan for the city. Zoning regulations that detail the restrictions within each zone are then drafted. The general public is invited to comment and provide input on the land use plans, and may appeal individual zoning decisions.

Several new ordinances and regulations were passed in Chernihiv to provide the legal framework for zoning. For several months beginning in the fall of 1994, the city's Architecture Department worked on draft zoning regulations. These efforts yielded a zoning scheme that allows for a large variety of uses for each of the city's land parcels. In May 1995 the efforts culminated in the adoption of zoning as the standard method of reforming Chernihiv's planning and urban development regulatory procedures, making Chernihiv the first Ukrainian city to adopt a zoning approach to urban planning. A "How To" zoning manual based on the Chernihiv experience was produced for distribution to interested municipalities, and a conference of 150 zoning officials and chief architects from all over Ukraine was held in July 1995 in Chernihiv. Ukrainian consultants trained in zoning through the Chernihiv innovation are qualified to provide training to other municipalities.

Results

Chernihiv's zoning innovation has produced increased flexibility for real estate developers and has allowed the local government to protect historical areas from the damaging effects of industrial development and vehicular air pollution while capitalizing on the economic benefits of maintaining historical sites. Innovative methods of regulating development for local governments have been introduced to the city, including differential tax rates. The results of this innovation also provide encouragement for local governments to develop other reforms, including a real property taxation system based on market value and privatization of public-owned property. In the wake of Chernihiv's initiative, several Ukrainian cities have expressed interest in zoning as a means of urban planning and regulatory reform. A similar regulatory reform effort is underway in Poltava and several other cities.

Summary

- To ensure that urban land development would conform to its concept plan, the City of Chernihiv adopted a zoning approach to urban planning.
- The zoning innovation has produced increased flexibility for real estate developers, allowed the local government to protect historical areas, and permitted the public to have a voice in all zoning issues.

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Facilitating the Formation of Condominium Associations

Ekaterinburg, Russia

Background

As citizens in the City of Ekaterinburg (population 1.6 million) purchased their apartments, homeownership began to resemble the Western condominium: multiple private and state owners shared an interest in the common areas and land parcels attached to their buildings. However, the public bodies regulating condominiums were unfamiliar with the concept, and homeowners themselves did not understand how to organize to better manage their housing. In 1994 the city initiated a program of assistance to resolve obstacles to condominium conversion; assist owner groups to organize and register; train local bodies in efficient registration; raise awareness of condominium ownership's benefits among owners, public authorities, and the public at large; and train condominium associations in conducting their affairs.

Innovation

First, Ekaterinburg developed procedures to register condominiums and associations (as non-commercial entities). Then housing units were registered as condominiums, and the property registry database was modified to show that certain units belonged to registered condominium associations. Bureau of Technical Inventory staff, as well as real estate brokers and notaries, were trained in the purchase, sale, and registration of condominiums. After developing model budget and accounting, reporting, and auditing practices for owners associations, the city arranged to transfer housing subsidies to condominium associations (subsidies were previously transferred only to public maintenance bodies). The city also distributed information promoting condominium conversion in the standard packet of privatized housing registration paperwork. The Vice Mayor for Economics was actively involved in the project, and the City Housing Management Department, which acts on behalf of municipally-owned units in the condominium associations, also played a major role.

Once initial procedures and model documents were available, the program was expanded through a publicity campaign in Ekaterinburg and secondary cities throughout the region. Public service announcements were produced for television and broadcast widely in Ekaterinburg and elsewhere in Russia, and the newsletter "Tovarishstvo," which now has over 500 subscribers, was published to promote better self-management of housing by owners. The "Urals Regional Association of Homeowners," which seeks to promote the interests and rights of homeowners, was registered in Ekaterinburg. Affiliated associations are being organized in two other cities of the Urals.

Results

The first condominium in Ekaterinburg was registered in November 1994. To date, more than 120 condominium associations have been formed and registered. Awareness of condominiums and owner associations has increased from less than 5 percent of households in the second quarter of 1995 to more than 25 percent of households in mid-1996. Long-term benefits to condominium owners include improved security of tenure and protection of property values through better management and maintenance. This security is expected to contribute to a more favorable environment for non-recourse mortgage lending and stimulate further housing and real estate privatization. This project has been replicated in the cities of Perm (population 1.3 million), Chelyabinsk (population 1.25 million), and Orenburg (population 650,000), as well as eight secondary cities ranging from 30,000 to 400,000 inhabitants.

Summary

- To facilitate the development of condominiums and owners associations, the City of Ekaterinburg undertook training of public bodies in efficient registration procedures and assisted homeowners to form effective associations. To date, more than 120 condominium associations have been formed and registered.

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Developing Housing Through Public-Private Partnerships

Bourgas, Rousse, and Stara Zagora, Bulgaria

Background

With the increasing devolution of responsibility for housing and land-use planning to local governments in the 1990s, Bulgarian municipalities saw a significant drop in housing production. To stimulate production, municipalities wanted to remove existing constraints to housing development and introduce private development of public land. The Bulgarian cities of Bourgas (population 226,000), Rousse (population 210,000), and Stara Zagora (population 188,000) developed a transparent, replicable process that allows municipal officials to create public-private partnerships for development of housing projects on municipal land.

Innovation

To foster the competitive development of public land, the cities developed a Request for Proposals (RFP) process. The process includes mandatory performance standards, the time frame for construction, procedures for submitting proposals, and the criteria by which proposals will be evaluated. As the first step in the RFP process, the city identifies appropriate sites for which it will solicit proposals, conducts market analysis, and simplifies the permit approval process as much as possible. Next, the local government prepares the RFP, defining proposal selection criteria and relocation and site clearance responsibilities. When that is complete, a model development and disposition agreement is prepared to specify infrastructure provision, financing, and scheduling. Municipal proposal review and selection committees choose the winning developer, and the final agreement is negotiated between the developer and municipality. In the case of Bulgarian cities, land ownership remains technically in municipal hands, although building rights are transferred to the developer. After developing the RFP process, the cities used the process to solicit detailed proposals for housing development from private developers through fair and open competition.

The RFP process is innovative in Bulgaria because it represents a structured, transparent procedure for introducing municipally-owned properties into the market for privately developed projects. Previously, municipal construction enterprises were responsible for construction. Using RFPs allows cities to promote development and to use municipal land resources strategically. Cities are compensated for development rights; instead of fees, developers give the cities equity positions in the projects, typically a number of housing units which, in turn, cities allocate to households whose properties have been "taken" for public purposes. Because there may be some complications associated with cities receiving financial remuneration for development rights (e.g., it might reduce subventions from the state), public-private partnerships allow for different forms of compensation that can be directed toward projects/activities with a "public purpose."

Results

This practice was initiated in November 1993, and by January 1995 all three cities had selected sites, prepared RFPs, reviewed proposals, and awarded development rights to eight sites. Projects have been constructed in all three cities, producing more than 200 housing units, along with office, retail, and garage space. The RFP process has already been replicated by other Bulgarian towns and has highlighted many legal and policy reforms needed to support private land and housing markets in Bulgaria. The process has also resulted in the development of local ordinances establishing procedures for cities to use the RFP process to promote private development of municipally-owned land. The process is replicable throughout CEE and NIS wherever cities own significant amounts of developable land.

Summary

- The Cities of Bourgas, Rousse, and Stara Zagora solicited proposals to develop private housing projects on municipal land. The process has resulted in construction of more than 200 new housing units and the development of local ordinances establishing procedures for cities to use the RFP process to promote private development of municipally-owned land.

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Privatizing Municipally-Owned Housing

Kosice, Slovakia

Background

In 1993 a law was passed in Slovakia that charged municipalities with implementing housing privatization. Initially, municipalities took no action to privatize the municipally-owned housing stock because the prices for residential units mandated by the law were deemed too low. At the same time, citizens saw no benefits to privatization and did not pressure municipalities to begin the process. Local governments need to relieve themselves of the responsibility of maintaining their housing stock, inform citizens of the benefits of privatization and their rights and responsibilities as owners, and encourage the establishment of effective owners' associations. Most Slovak municipalities attempted to accomplish these objectives through the publicly-owned housing maintenance companies, even though public housing management had proven problematic and inefficient. The housing maintenance firms, which had managed municipal housing stocks for the past forty to fifty years, discouraged privatization because of the likelihood that they would lose business as a result.

Innovation

To speed up the process of housing privatization and remove the conflict of interest posed by the use of local housing maintenance companies, the City of Košice (population 250,000) established a separate housing privatization office within the local government in the summer of 1994. The office was staffed with a lawyer and a technical expert who prepared procedures, written information, and forms to facilitate privatization and to help citizens understand the rights and responsibilities of ownership. A private firm was hired to computerize and process the large numbers of housing sales contracts and technical information concerning privatization that was beyond the capacity of the city to handle. Public meetings and media were used to educate the citizens of Košice about the benefits of home ownership and their rights and responsibilities.

Košice did not want to be left with a large number of mixed ownership buildings because mixed ownership makes consensus building regarding maintenance and expenditures more difficult due to conflicts between public and private interests and decision-making processes. To encourage 100 percent privatization within a given building, Košice built financial incentives into the pricing structure and gave priority to buildings in which all residents intended to purchase the units they occupied. The city forfeited a small amount of revenue in so doing but avoided the decision-making difficulties associated with partially privatized buildings and created stronger condominium associations with 100 percent owner occupancy.

The costs involved in implementing this innovation included the salaries of the employees of the new office, housed in Košice City Hall, as well as a private firm's fee for computerizing information. All costs were covered by the city budget.

Results

Setting up a separate privatization office facilitated the privatization of municipal housing to such an extent that Košice now has the highest percentage of privatized municipal housing in Slovakia at 36.6 percent (11,000 units). The privatization office has assisted citizens in the purchasing process and has helped organize over 100 owners' associations so that privatized buildings would be managed more effectively. Housing privatization has had the effect of relieving the city of the burden of subsidization, maintenance, and management of much of its municipal housing stock. In addition, owners are taking better care of their homes and common areas. This practice is replicable in any country where municipalities are responsible for housing privatization.

Summary

- To speed up the process of housing privatization and remove the conflict of interest posed by the use of local housing maintenance companies, the City of Kosice established an independent housing privatization office within the city government.
- Setting up a separate privatization office relieved the City of the burden of subsidization, maintenance, and management of much of its housing stock.

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Establishing a Targeted Housing Subsidy System

Ukraine

Background

Traditionally, in the Ukraine households made only token monthly payments for housing and communal services (maintenance, heat, water and hot water, electricity, gas and garbage collection). In 1994, those payments barely covered four percent of the production costs of the services. As a result, government subsidies necessary to cover the production costs of housing and communal services amounted to three quarters of the 1995 national budget deficit. The Government of the Ukraine (GOU) concluded in late 1994 that the budget deficit could not be controlled unless housing subsidies were reduced. At the same time, the GOU as a condition of assistance from the International Monetary Fund (IMF) agreed to increase housing and utility prices substantially. The GOU faced the dilemma of how to protect low-income households from the price increases and at the same time reduce the subsidies to the housing and utility sectors.

Innovation

The GOU decided in early 1995 to establish a national program, the Housing Subsidy Program, to target subsidies to low-income families. The Program, begun in May 1995, provides assistance to families whose total housing costs exceed 15 percent of their income. The Program pays the difference between 15 percent of a family's income and its monthly housing payment. To avoid paying large subsidies to small families with large apartments, the subsidies are calculated only on a normative amount of space. Subsidies are not provided in cash—which would be administratively difficult—but through the discounting of the monthly payment books that families present when making their monthly housing payments.

To manage the Program new offices were established throughout the country. In urban areas the Housing Subsidy Offices are located in raions, subdistrict local government offices. A comprehensive training program was initiated prior to the beginning of the Program, and software programs were developed to computerize Program operations. Management of the Program rests with the oblast administration, and day-to-day running of the offices is the responsibility of city and raion departments. Cities have the authority to modify the Program to meet local needs at local expense (e.g., Kiev requires that families pay only 8 percent of their income for housing).

Results

By mid-1996, 4.5 million families had applied for assistance, and nearly three million were receiving subsidies that averaged about \$25 a month. The Program is being adjusted slightly to address various problems that have arisen (e.g., getting payments to utility companies and long applicant waiting lines), but a majority of the deputies to the Supreme Rada support the Program. As a result of increases in housing and communal services prices and the targeted approach of the Housing Subsidy Program, the state budget deficit in 1995 had been reduced by \$600 million. While the overall costs of housing subsidies have been substantially reduced, needy families are still receiving the assistance they require.

Summary

- To reduce housing subsidies
- while increasing housing and
- utility prices, the GOU estab-
- lished the Housing Subsidy
- Program. By mid-1996, nearly
- three million families were
- receiving subsidies, and the
- 1995 state budget deficit had
- been reduced by \$600 million.

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Strengthening the Municipal Bond Market

Ostrów Wielkopolski, Poland

Background

Like many other local governments in Eastern Europe, cities in Poland have inherited the responsibility for severely deteriorated and inefficient infrastructure systems. Because of economic reforms in the early 1990s, cities recognized that subsidized credits from the national or regional government for infrastructure maintenance and repair would not be adequate to meet local infrastructure demand. Similarly, a review of the local financial resources revealed that the accumulation of current revenues would not be able to cover the high cost of building, buying, or replacing capital assets in immediate need of replacement. To substantially increase investment in municipal infrastructure, the national government of Poland adopted a strategy to stimulate long-term debt financing by creditworthy municipalities using modern municipal infrastructure financing techniques. The City of Ostrów Wielkopolski (population 75,000) was chosen to test the experience of issuing municipal bonds to fund a capital improvement project.

Innovation

In June 1995, the national government enacted the new Bonds Act to provide a better regulatory environment for market growth. In July 1995, the Municipal Development Agency (MDA) conducted a Municipal Bonds Roundtable Discussion to identify critical constraints to implementing a Municipal Bonds Market in Poland. The roundtable was attended by senior government policy-makers (MDA, Ministry of Finance, Securities Commission), potential institutional investors (insurance companies, investment funds, banks, international donors), and service providers (underwriters, brokers, dealers). The participants identified the lack of Disclosure Guidelines as a critical problem to trading municipal bonds publicly either through initial placement on the Warsaw Exchange or through secondary trading on the new over-the-counter market. Municipal bonds had to be publicly tradeable on the secondary market to give them the liquidity demanded by many potential investors, or the market as a substantial source of municipal infrastructure financing would be severely limited. The Securities Commission subsequently prepared draft Disclosure Guidelines and tested them in the city of Ostrów Wielkopolski. These Guidelines set the disclosure requirements to be met by municipal bond issuers wishing to have their securities traded publicly.

Ostrów Wielkopolski performed a financial analysis to determine its creditworthiness for issuance of municipal bonds. The analysis indicated a need for more rigorous capital investment programming of the projected surplus available for investment. These findings convinced the City Council to use long-term debt financing for its roads improvement project. Ostrów Wielkopolski prepared a Model Prospectus (to be required for primary public offering) and a Model Information Memorandum (to be required for admission to secondary trading). In April 1996, the city issued a 7.5 million PLN (new Polish złoty) bond for road improvements through a private placement.

Results

The Council of Ministers approved an ordinance on Municipal Bond Disclosure on October 10, 1996. The Information Memorandum, which will allow Ostrów Wielkopolski's bonds to be publicly traded on the over-the-counter market, has been prepared and is expected to be approved before the end of the year. Public trading of municipal bonds will substantially broaden the base of potential investors in municipal bonds and increase the access of municipalities to long-term funds at competitive rates.

Summary

- To substantially increase investment in municipal infrastructure, the national government of Poland adopted a strategy to stimulate long-term debt financing by creditworthy municipalities. The strategy was tested in the City of Ostrów Wielkopolski, which prepared a Model Prospectus and a Model Information Memorandum and, in April 1996, issued municipal bonds for road improvements.

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Encouraging Private Markets and Increasing Autonomy

Armenia

Background

Despite the privatization of most apartments in Armenia, local governments continue to be saddled with responsibility for maintaining, servicing, and heating urban buildings. These ongoing burdens are one of the major factors precluding fiscal solvency of local governments. Fiscal problems are further exacerbated by the lack of independent taxation authority or other revenue generating mechanisms, resulting in continued municipal reliance on diminishing budgetary allocations from the national government. To address the growing problems being faced by local governments, the national government coordinated an effort among several ministries (including the Ministry of Economy, the Ministry of Territorial Administration, and the Ministry of Urban Development) to develop a program of legal reform. The purpose of the legal reform was to encourage private investment in real estate markets, shift responsibility for the maintenance of multi-family apartment buildings to the private sector, and strengthen the capacity of local governments to finance and perform remaining functions, including maintenance of infrastructure and municipal facilities.

Innovation

Starting in December 1995, the National Assembly adopted a series of three laws: the Law on Real Property, the Law on Co-Ownership Entities, and the Law on Local Self-Government. The Law on Real Property is aimed at stimulating private investment in real estate markets by clarifying and strengthening the basic rights to land and real property. While other republics of the former Soviet Union have also sought to strengthen private rights to land and real estate through the adoption of new civil codes and other laws, the Armenian law is unique in its attempt to establish in one law the basic legal framework for land and real estate markets. The second piece of legislation, the Law on Co-Ownership Entities, establishes the basic framework for the formation of housing associations to assume responsibility for maintenance of multi-family apartment buildings. The shifting of responsibilities from municipalities to private owners is essential to free up municipal resources for functions more appropriate in a market economy, such as managing urban development, and providing infrastructure, community facilities, and basic municipal services. The final piece of legislation, adopted in June 1996, was the Law on Local Self-Government, which broadly delegates authority for local decision-making to locally elected mayors and councils and assigns land and property tax revenues to local governments. The transfer of land and property tax revenues gives local governments access to funds necessary to achieve fiscal solvency and provides them with an incentive to complete the transfer of real estate assets to the private sector and help bring those assets into more productive use. Local government officials will remain accountable to local residents through periodic elections.

Results

The legal framework is now in place in Armenia to facilitate the completion of the transfer of housing and other real estate assets, and the responsibility for their maintenance, to private owners. Approximately 400 buildings are currently being managed by condominium associations, and several cities have set up offices to provide assistance to residents wishing to form additional associations. Private rights to land and real estate have been strengthened, which should lead to increased private investment in land and real property and a growing tax base to support municipal governments on an ongoing basis. Local governments now have the authority to make budgetary and operational decisions that best suit local needs and conditions, and the first elections of mayors and members of local councils took place on November 10, 1996.

Summary

- To encourage private investment in real estate markets,
- shift responsibility for the maintenance of multi-family apartment buildings to the private sector, and strengthen the capacity of local governments to finance and perform remaining functions, the national government of Armenia adopted a series of three laws.
- The legal framework is now in place in Armenia to facilitate the completion of the transfer of housing and other real estate assets, and the responsibility for their maintenance, to private owners.

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Building a Competitive Municipal Credit Market

Czech Republic

Background

Decentralization in the Czech Republic has transferred service responsibilities to local governments along with shared tax revenues. At the same time, the national government has cut back on targeted subsidies for local investment projects. To sustain their capital spending, local authorities had to find a way to access the credit market. One possibility was to create a single Municipal Credit Facility, under government direction, that would provide loans to local authorities. This approach, however, ran counter to the Czechs' desire to introduce competition into the financial sector and to lessen dependence on central institutions in allocating capital. The state decided to encourage commercial banks to enter the municipal credit market in a free market approach to municipal finance.

Innovation

Instead of a single Municipal Credit Facility that would make loans directly to local governments, the government created a financial intermediary—the Municipal Infrastructure Finance Company (MUFIS)—which raises capital externally, then channels the capital to commercial banks for on-lending to municipalities. Key to this innovation is the responsibility given to private lenders. Commercial banks perform all financial and project analysis for the municipal loans they make, and they assume all credit risk. The municipalities set their investment priorities and approached private entities for financing; MUFIS's role is to supply long-term capital, at market rates of interest, to help finance bank lending for local infrastructure projects.

MUFIS was designed to encourage the entry of new banks into the municipal credit market, so as to build sustainable competition. All banks meeting capital adequacy and safety standards were allowed to participate in the on-lending system. The Czech government concluded that the most effective way to reduce municipal credit costs over the long term was to introduce numerous banks to the municipal sector and to build up a track record demonstrating that municipal lending was a safe, productive activity for the banking sector.

Results

MUFIS has borrowed \$20 million from the U.S. private capital market. Four Czech banks have borrowed funds from MUFIS and have lent these funds to 26 municipalities. MUFIS has established a reputation as a fast-acting, non-bureaucratic institution. On average, municipalities have been able to receive funds only 17 days after a loan application is approved by a commercial bank.

A strong base of competition has been established in the municipal credit market: all of the large commercial banks in the Czech Republic now compete for municipal lending. There have been no defaults on any of the more than 1,200 municipal loans. Under the pressures of competition, loan periods have been extended—the majority are now over four years on loans financed by banks' own resources, and up to 15 years on funds provided by MUFIS—while interest rates have fallen. The successful track record of bank lending to municipal governments has caused other financial institutions to enter the municipal credit market. A municipal bond market has emerged, serving larger cities in the Czech Republic.

In the aggregate, commercial lending has been able to substitute for government subsidies in financing local government investment. The share of investment in local government budgets has risen each year since 1993, despite reductions in central government capital subsidies. In 1995, 38.4% of local government budgets were spent on capital investment.

Summary

- To sustain capital spending by
- local governments, the Czech
- national government decided
- to encourage commercial
- banks to enter the municipal
- credit market by creating a
- financial intermediary—MUFIS.
- Four Czech banks have bor-
- rowed funds from MUFIS and
- have lent these funds to 26
- municipalities. The private
- municipal credit market has
- expanded, and a municipal
- bond market has emerged.

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Privatizing Housing Management and Reducing Subsidies

Kazakstan

Background

Kazakstan, like many other Republics of the former Soviet Union, moved quickly to transfer ownership of apartments in multi-family buildings from the government to private individuals. While privatization of apartments proceeded relatively quickly, local governments retained responsibility for managing and maintaining Kazakstan's dilapidated housing stock. The burden of providing maintenance and utility services threatened to render many local governments insolvent. According to some estimates, housing-related subsidies prior to reforms adopted in 1996 accounted for more than 50 percent of local government budgets. These massive subsidies continued to grow because of increasing utility costs and extremely low utility prices (estimated at 25-30 percent of real costs at the beginning of 1996), among other factors. To relieve the growing burden on local governments, the government of Kazakstan decided to reform the systems of housing maintenance, utility pricing, and housing subsidies.

Innovation

In 1996, the national government of Kazakstan adopted a series of inter-related resolutions aimed at raising utility rates to cover real costs; providing subsidies to the neediest families; and encouraging the formation of private homeowner associations to assume responsibility for management of privatized apartment buildings. The first resolution, #647, "On Measures to Develop Consumer Cooperatives of Owners of Apartments and Nonresidential Premises in Residential Buildings," was adopted in May 1996. This resolution fostered the development of private homeowner associations (cooperatives and condominiums) to take over the ownership and management of housing property. Resolution #647 did not provide detailed national guidelines but rather relied heavily on local governments to develop and implement programs that would stimulate the formation of such associations. The national government followed Resolution #647 with Resolution #437, "Concerning Transition to New Principles of Payment for Maintenance and Housing Utility Services," and Resolution #587, "Concerning the De-Monopolization of Housing Utilities and Calculations of Prices for Utility Services." Resolutions #437 and #587 mandated an aggressive policy whereby local governments were to raise prices for most utilities to full market costs within six months, demonopolize communal maintenance and create competitive maintenance organizations, and put in place housing allowance programs to provide subsidies targeted to lower-income families who would be unable to pay market utility prices. The national government gave local governments considerable leeway to create local allowance programs that would achieve the national subsidy reduction and housing allowance policies while taking into account local differences and capabilities.

Results

It is estimated that more than 2,500 housing associations now exist in Kazakstan, representing approximately half of the residential buildings nationwide. While these new associations have encountered a variety of challenges, they have begun to provide a mechanism for private apartment owners to make decisions about management and maintenance of their buildings. Prices for most utilities have been brought to full market costs. There are an estimated 56 housing allowance programs in operation nationally, dispensing benefits to approximately 50,000 lower-income families. While the combined impact of the subsidy reduction and allowance programs is difficult to calculate at this time, in some cities the reduction in local government subsidies will amount to 50 percent or more of local budgets, freeing badly needed resources for other uses.

Summary

- To relieve the growing burden of housing-related subsidies on local governments, the government of Kazakstan adopted a series of inter-related resolutions aimed at raising utility rates to cover real costs, providing subsidies to the neediest families, and encouraging the formation of private homeowner associations to assume responsibility for housing management. In some cities the resulting reduction in local government subsidies will amount to 50 percent or more of local budgets, freeing badly needed resources for other uses.

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Estonia (Tallinn) Peeter Konhandi (PSC)	Denise Lee 647-7074	AmEmbassy Helsinki Box T (Tallinn), PSC 78 APO AE 09723	Name of Individual Kentmanni 20 EE-0001 Tallinn Estonia	9-011-372-6-312-021 (AID/Emb. switchboard) 9-011-372-6-312-710	9-011-372-6-312-139 Embassy 9-011-372-6-312-025
Hungary (Budapest) Thomas Cornell	Brian Wickland 647-7074	(Office/Name) American Embassy Budapest Dept. of State Washington, DC 20521-5270	USAID Office of the AID Representative Bank Center, Granite Tower Szabadsag ter 7-8, 4th Floor 1944 Budapest, Hungary	9-011-36-1-302-6400 RFMC/REXO 9-011-36-1-302-6300	9-011-FOR 36-1-302-0693 RFMC 9-011-36-1-302-0581 REXO 9-011-36-1-302-0562
Latvia (Riga) Howard Handler (PSC)	Nan Newman 647-9703	AmEmbassy Helsinki Box R (Riga), PSC 78 APO AE 09723	USAID/Name c/o American Embassy Raina Bulvaris 7 LV-1510, Riga, Latvia	9-011-371-783-0068 Embassy 9-011-371-782-0046 9-011-371-2-933-413	9-011-371-783-0067 9-011-371-782-0047
Lithuania (Vinius) Ronald Greenberg	Ravi Aulakh 647-7263	c/o AmEmb-Vinius Department of State Washington, DC 20521-4510	USAID/Lithuania Tauro 12 Vilnius, Lithuania	9-011-3702-221-666	9-011-3702-222-954 Embassy 9-011-370-6-706-084
Macedonia (Skopje) Linda R. Gregory	Richard Hough 647-9705	USAID Macedonia Skopje for USAID Washington, DC 20521-4510	Veljko Vlahovic 26 91000 Skopje FYR Macedonia	9-011-389-91-117-211 9-011-389-91-363-192 (AID Rep Residence)	9-011-389-91-118-105 Fax number at Ms. Gregory's home: 9-011-389-91-366-611
Poland (Warsaw) Suzanne Olds	Jennifer Karp 736-4077	American Embassy Warsaw-USAID Dept. of State Washington, DC 20521-5010	USAID Poland Aleje Jezolimskie 56 C 00-803 Warsaw	9-011-48-22-631-0334 9-011-48-22-630-2480	9-011-48-22-628-7486
Romania (Bucharest) Donald La Pera	James Watson 647-9702	AmEmbassy Bucharest Dept. of State Washington, DC 20521-5260	AmEmbassy Bucharest Blvd. N. Balcescu #26 5th Fl. Bucharest	9-011-40-1-312-5584 9-011-40-1-312-0507 9-011-40-1-312-5568 9-011-40-1-312-5565	9-011-48-1-312-0508 Embassy 9-011-40-1-210-0395
Slovakia (Bratislava) Patricia Lemer	Nan Newman 647-9703	AmEmbassy Bratislava Department of State Washington, DC 20520-5840	Panska Ulica 33 811 02 Bratislava Slovak Republic	9-011-42-7-533-0667 9-011-42-7-533-1588	9-011-42-7-5-334-711

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EUROPE & NEW INDEPENDENT STATES

COUNTRY/ Director	DESK OFFICER	OFFICIAL MAIL POUCH - UNCLASSIFIED APO/FPO - UNCLASSIFIED ONLY	AUTHORIZED ADDRESS FOR COMMERCIAL COURIER	TELEPHONE	FAX
Slovenia (Ljubljana) Mitzi Likar (currently covered through Hungary)	Brian Wickland 647-7074	(Use Hungary address)	USAID/Lubliana Suite 210 Kolodvorska 9	9-011-386-61-1315-114 9-011-386-61-301-427	9-011-387-61-1336-170
Russia (Moscow) Janet Ballentyne	Dianne Tsitsos 647-3731	USAID/Moscow c/o American Embassy PSC 77 APO AE 09721	USAID/Moscow 19/23 Novinsky Bulvar Moscow, Russia	9-011-7-095-956-4281 9-011-7-095-956-4282 State Department Extensions 647-4886; 647-2234; 647-0653	9-011-7-095-956-7093 9-011-7-095-956-7092 9-011-7-095-956-7091
REGION: WEST NIS Ukraine (Kiev) Greg Huger	Sherry Grossman 647-3759	E-mail address: GregoryHugar@DIR@KIEV USAID/Kiev-5850 Dept. of State Washington, DC 20521-5850	USAID/Kiev 19 Nizhiny Val str. 254071 Kiev, Ukraine	9-011-380-44-462-5678 9-011-380-44-462-5679 9-011-380-44-462-5680 9-011-380-44-5681/82/83	9-011-380-44-462-5834
Moldova (Chisenu) Paul Morris	Sherry Grossman 647-3759	Email Address: Chisinau@Chisinau@Kiev		9-011-373-2-23-37-72	9-011-373-2-23-30-44
Belarus (Minsk)	Sherry Grossman 647-3759				
REGION: Central Asia Kazakstan (Almaty) Patti Buckles - Director	Theresa Ware 647-4572	USAID/Almaty Dept. of State Washington, DC 20521-7030	USAID/Almaty c/o American Embassy 97A Furmanov St. 480091 Almaty, Kazakstan	9-011-7-3272-50-76-33 Ext 203; 9-011-7-3272-50-76-12 9-011-7-3272-63-32-37	9-011-7-3272-50-76-36 9-011-7-3272-69-64-90
Kyrgyzstan (Bishkek) Patti Buckles - Director C.J. Rushin-Bell (County Coordinator)	Theresa Ware 647-4572	Email Address: C.J. Rushin-Bell@Bishkek@CAR	USAID/Bishkek c/o American Embassy 195 Tynystanova St., Apts. 1-4 720040 Bishkek, Kyrgyzstan	9-011-7-3312-21-06-63 9-011-7-3312-21-08-53	9-011-7-3312-62-04-36
Tajikistan (Dushanbe) Patti Buckles - Director Richard Fraenkel (County Coordinator)	Theresa Ware 647-4572	Email Address: Richard Fraenkel@Dushanbe@CAR	USAID/Dushanbe c/o American Embassy 105 Rudaki St. apts 2,3 734001 Dushanbe, Tajikistan	9-011-7-3772-21-00-77 9-011-7-3772-51-00-49	9-011-7-3772-51-00-49
Uzbekistan (Tashkent) Patti Buckles - Director Davel Mandel (County Coordinator)	Theresa Ware 647-4572	Email Address: David Mandel@Tashkent@Tashkent	USAID/Tashkent c/o American Embassy 82 Chilanzarskaya St. 700115 Tashkent, Uzbekistan	9-011-7-3712-33-17-97 9-011-7-3712-33-18-52 9-011-7-3712-33-76-56 9-011-7-3712-40-43-09	9-011-7-3712-33-17-97 9-011-7-3712-33-18-52 9-011-7-3712-33-76-56 9-011-7-3712-40-43-09
Turkmenistan (Ashgabat) Patti Buckles - Director Joanne Cotter (County Coordinator)	Theresa Ware 647-4572	Email Address: Ashgabat@Ashgabet@CAR	USAID/Ashgabat c/o American Embassy 6 Pushkin Street 744000 Ashgabat, Turkmenistan	9-011-7-3632-35-00-38 9-011-7-3632-35-00-45	9-011-7-3632-51-13-05
REGION: The Caucasus Armenia (Yerevan) Fred Winch	Dagnija Kreslins 647-4568	Email Address: Fred Winch@AIDREP@YEREV USAID/Yerevan** Dept. of State Washington, DC 20521-7020	USAID/Yerevan #10 Aigedzor Street Yerevan, Armenia	9-011-374-215-1955 9-011-374-42-2877	9-011-374-215-1131
Georgia (Tbilisi) Paula Feeney (County Coordinator)	Dagnija Kreslins 647-4568	Email Address: Tbilisi@Tbilisi@NIS USAID/Tbilisi Dept. of State Washington, DC 20521-7060	4/6 Orbeliani Street Tbilisi 380026 Georgia	9-011-99532-989967 9-011-99532-989968 9-011-99532-983983	9-011-99532-001013 9-011-99532-001012
Azerbaijan (Baku) Jack Tucker Embassy Rep.	Dagnija Kreslins 647-4568	USAID/Baku Dept. of State Washington, DC 20521-7050	83 Azadlia Prospekti 83 Baku, Azerbaijan	9-011-9-9412-98-336	9-011-9-9412-983755

** There is no regular mail delivery service and there are not PO boxes available, therefore, the street address should not be used for mail delivery.

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List of Contractors

Categories	Innovative Practices	Contractor	Submitter	Tel	Fax
Municipal Credit	Developing a Credit Finance Model, Czech Republic	UI	Francis Conway	202.833.7200	404.466.3982
	Using a Financial Model for Long-Term Debt Financing, Poland	RTI	William Kuggler	48.22.622.5483	48.22.622.5495
Economic Development and Planning	Creating a Municipal Economic Development Office, Ukraine	RTI	Paul Hoover/ Alan Wyatt	919.541.7218	919.541.6485
	Fostering Development Through Public-Private Cooperation, Kazakstan	RTI	Jerry VanSant	919.541.6621	919.541.6485
	Initiating Community Partnership for Local Development, Hungary	DOL	Maria Heidkamp		
	Coordinating Assistance for Dislocated Workers, Hungary	DOL	Maria Heidkamp		
	Using Strategic Planning to Improve Decision-Making, Russia	PADCO	Ruth O'Sullivan		7.3832.23.87.81
	Linking Bulgarian Cities Through Computers, Bulgaria	ICMA	George Valais	359.2.9.885.644	same as tel.
	Implementing a Municipal Economic Development Program, Lithuania	DAI	Earl Mathers/ George Abel	370.54.83.145	370.54.24.721
	Building Consensus Using Economic Development Planning, Czech Republic	Barents	Norman Berman	42.2.2452.1854	42.2.2451.1827
Municipal Association Development and Capacity Building	Involving the Community in Economic Development, Bulgaria	ICMA	George Valais	359.2.9.885.644	same as tel.
	Using a Decision Matrix to Analyze Privatization Options, Estonia	DAI	Leah April/ C. Francis	372.5.250.282	372.6.542.669/323
	Establishing an Effective Municipal Association, Ukraine	RTI	Paul Hoover/ Alan Wyatt	919.541.7218	919.541.6485
	Strengthening a New Association of Municipalities, Czech Republic	USAID	L. Jirasek	42.2.2451.0847	42.2.2451.0340
	Creating a Municipal Training System, Slovakia	LSGAC	Kennedy Shaw	427.533.3853	427.533.3859
	Establishing a Training and Technical Assistance Partnership, Lithuania		Mark Levinson	370.774.8463	same as tel
Citizen Participation in the Municipal Decision-Making Process	Improving Infrastructure Through a Municipal Association, Czech Republic	UI	Patrick Boxall	202.857.8730	202.728.0232
	Creating an Association of Municipal Finance Officers, Slovakia	ICMA/LSGAC	Fred Fisher	427.533.3853	427.533.3859
	Encouraging Participation Via a Citizens Service Center, Romania	Chemonics	Judy Kesson/ Lary Rice	401.211.1744	401.211.1757
	Improving Relations with Citizens and the Media, Czech Republic	NAPA	Steven Rosenberg	42.2.242.10397	42.2.242.25431
	Involving and Educating Citizens Via the Budget Process, Romania	ICMA	Winston Evans	214.341.6495	same as tel.
	Improving Public and Media Relations, Bulgaria	UIA; USC	Jim Budds	803.571.0772	803.571.0772
	Initiating a Proactive Public Relations Strategy, Former Yugoslav Republic of Macedonia	Mendez England	Carry McNamara	202.965.4050	202.965.4053

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Categories	Innovative Practices	Contractor	Submitter	Tel	Fax
Urban Services Delivery	Restructuring a Local Utility, Ukraine	PADCO	Michael Sinclair	380.(322) 27.1415/72.1848	same as tel.
	Using the Request for Proposal Process for Housing Development, Slovakia	ICMA	Peter Bass	301.571.0096	same as tel.
	Using Task Force to Improve the Management of Service Delivery, Ukraine	RTI	Dan Goetz	919.541.7218	919.541.6621
	Improving Wastewater Treatment Systems, Poland	RTI	Andrezj Pecikiewicz/ Allan Wyatt	48.22.630.24.80 919.541.6485	48.22.628.74.86 919.541.6621
	Improving Public Transportation Management, Ukraine	RTI	P. Hoover	919.541.7218	919.541.6621
	Strengthening Management of Municipal Companies, Slovakia	LSGAC	Kennedy Shaw	427.533.3853	427.533.3859
	Improving the Management of Municipally-Controlled Infrastructure Systems, Romania	ICMA	Robert Dubinsky	202.962.3536	202.962.3681
	Privatizing Maintenance of Municipally-Owned Housing, Ukraine	PADCO	Angus Olson	380.44.295.6377	380.44.295.1039
	Saving Money Through Competitive Contracting, Kazakstan	ICMA	Jon Wegge	7.3272.61.65.11	same as tel.
	Environmental Management	Improving Solid Waste Management Practices, Hungary	RTI	Alan Wyatt	919.541.7218
Coordinating Medical Waste Management, Hungary		RTI	Cole	919.541.6485	919.541.6621
Improving Cost Recovery Through Water Metering, Russia		PADCO	Robert Kehew/ E. Slingsby	202.337.2326	202.944.2355
Improving Solid Waste Collection and Disposal, Hungary		RTI	Allan Wyatt	919.541.6485	919.541.6621
Local Revenue Generation	Generating Local Revenue by Taxing Telephone Services, Hungary	ICMA	Craig Steensland	36.62.322.456	same as tel.
	Relating User Fees to the Cost of Service, Bulgaria	ICMA	George Valais	359.2.9.885.644	same as tel.
	Generating Revenue Through Auctioning Land Use Rights, Kyrgystan	ICMA	Duane Beard	7.3312.22.24.89	7.3312.62.10.65
	Increasing Local Revenue Through Percentage Leasing, Romania	Chemonics	Judy Kesson/ Lary Rice	401.211.1744	401.211.1757
	Generating Revenue Through the Sale of City-Owned Land, Russia	PADCO	Mark Brown	7.3432.589.500	7.3432.514.303
	Facilitating Sales of City-Owned Land to Private Enterprises, Russia	PADCO	Corry Fellows	202.337.2326	202.944.2516
Budgeting and Financial Management	Improving the Budget Process, Hungary	MRI/UI	Katy Mark/ Jozsef Hegeudus	36.1.217.9041	36.1.216.3001
	Creating a Model for Integrated Financial Management, Russia	RTI	Juliet Johnson	7.095.290.70.28	7.095.203.97.92
	Improving Financial Management with a Municipal Treasury, Kyrgystan	RTI	K. Mahoney	38.0572.23.10.51	38.0572.12.30.66
	Improving Municipal Efficiency Through Task Budgeting, Poland	ICMA	Winston Evans	214.341.6495	same as tel.