

MFM Project

NIZHNY NOVGOROD TRAINING AND CONSENSUS BUILDING WORKSHOP

By
Jim Chase

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

Municipal Finance and Management
Project No. 5656
Contract No. CCN-0007-C-00-3110-0

September 30, 1994



PA - 110-007-366-2850

Municipal Finance and Management Project

Project No. 110-0007-366--2850

Research Triangle Institute

Trip Report

Nizhny Novgorod Training and Consensus Building Workshop

August 26 through September 14

Jim Chase, Senior Associate

Management Systems International

Contract No. CCN-0007-C-00-3110-00

Agency for International Development, Office of Procurement

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I. PURPOSE OF THE TRIP

The two primary objectives of the trip were:

1. Conduct a workshop for finance officials from the municipality of Nizhny Novgorod (NN) and its raions to serve several purposes: (a) to identify the key conflicts and issues that need to be addressed in improving NN's planning and budgeting processes; (b) to begin identifying strategies to deal with these conflicts and issues; (c) to help prepare those participants going for training in the U.S. by introducing them to the planning/budgeting/finance systems of North Carolina; (d) to discuss the **Effectiveness** and **Transparency/Accountability** objectives of the Nizhny Novgorod Performance Monitoring Framework and to identify possible indicators of these objectives, (e) to introduce Russian public officials to American management theory and consensus building techniques; and
2. To further develop the Performance Monitoring Framework by (a) identifying performance indicators/ measurements and/or clarifying how these indicators/ measurements will be established, and (b) identifying whether baseline measurements will be obtained and, if yes, how they have been or will be collected.

Also, during my return through Moscow, I delivered materials to members of the Moscow Duma promised to them during their July 1994 Study Tour.

II. BACKGROUND

The present consulting activity is a follow up to Larry Cooley's April 4-7, 1994 trip, which also focussed on developing the Performance Monitoring Framework and doing a training/ workshop needs assessment. A summary of his findings and suggestions are provided below.

A. Performance Monitoring

During his April 1994 trip, Larry Cooley worked with Slava Aksinyin and Bill Fuller to develop a framework which reflected the intended activities and outcomes in NN. This framework was translated into Russian. It was agreed that once objectives and indicators had been tentatively agreed upon, someone in the U.S. would be tasked with compiling whatever baseline information can be various reports and study documents already in possession of the project.

Larry suggested that a two-day workshop for officials from the Mayor's Office, Finance Department and Raion Administration should be held in NN to discuss these objectives and indicators and their implications; to gather additional baseline data; to agree on systems for tracking performance indicators; and to establish procedures for feeding back such performance data into management of the project and the city.

B. Workshop Needs Assessment

Larry also identified the need for a series of workshops dealing with the conflicts that exist within and among the different levels of planning and budgeting activities: raion, municipality, and oblast. He further suggested that sessions should include a brief presentation and discussion of how comparable issues are dealt with in the U.S. (and perhaps other selected countries).

Also, Larry suggested that Russian counterparts be recruited to participate in the workshops as facilitators and trainers. In fact two excellent Russian facilitators were recruited to assist in the weekend: Irina Labutova and Olga Bondarenko. Their contributions are described in more detail in the Findings/Discussion section and their brief resumes are appended to this document.

The workshop described below is intended to be the first in a series of workshops for officials from the Mayor's Office, Finance Department and Raion Administration. Suggestions for future workshops are presented in the Findings/Discussion section.

III. ACTIVITIES

In general, the first week in Nizhny Novgorod was devoted to (a) preparing the workshop agenda; (b) translating, photo-copying and otherwise preparing workshop materials; (c) training the Russian counterparts, and working with them to further refine the agenda and workshop materials; and (d) reviewing the Performance Monitoring Framework with Bill Fuller. The Second week was devoted to (a) translating written materials (primarily "flip charts") from the workshop, (b) working on the Performance Monitoring Framework, (c) and writing the first draft of the trip report.

SUNDAY -- 9 am - 2 pm

- | | |
|---|---------------------|
| ◆ Address additional budget issues | Discussion |
| ◆ Review impacts of MFM Projects | Discussion |
| ◆ Identification of possible objectives/outcomes of MFM project | Discussion/Exercise |
| ◆ Identification of next steps for dealing with issues | Discussion/Exercise |
| ◆ Workshop Wrap-up and Evaluation | Discussion |

The workshop consisted of a combination of presentation of substantive material (overview of MFM Project, brief history of American management theory, overview of FPF Training, and introduction of U.S. government structure and planning/budgeting practices), and workshop activities (idea generation using brainstorming and nominal group technique, multi-voting, conflict management style exercise, and theory X/theory Y exercise). The results of the nominal group technique (NGT) and brainstorming are presented below and the handouts used for all of the exercises are presented in Appendix C.

The NGT appeared to be quite successful in generating a large number of high quality ideas in a very short period of time (45 minutes to an hour, including introduction of the technique). Two questions were addressed by the group as a whole: (1) What is working well in the NN planning and budgeting system, and (2) What areas need improvement in the NN planning and budgeting system? The ideas generated during these two NGT activities are presented below.

I. What is working well in the Nizhny Novgorod Budgeting System?

1. Expenditures of each budget-funded enterprise are thoroughly planned
2. Correct execution of the budget expenditures portion of a budget-funded organization
3. There is a data base for planning revenues and expenditures
4. There are accounting norms for individual budget lines
5. Forecast of revenues and expenditures in making up the budget, which makes it possible to clearly determine whether the expenditures can be executed from the available funds
6. No "personnel drain" (i.e., "brain drain") in central accounting offices in spite of no computers and a huge amount of work

7. Separate planning for each revenue source
8. Interconnection of administration departments and activities when making plans for social and economic development of a raion
9. Quarterly expenditure planning in each enterprise
10. Plan forecast of both the expenditures and revenues
11. Revenue/expenditure planning for each economic/non-economic sphere
12. Continuous analysis of raion budget implementation
13. Communication with tax inspectorate while planning revenues from main taxes
14. Approved raion budget plan
15. Using computers in execution of revised budgets

II. What areas need improvement in the Nizhny Novgorod Budgeting System?

1. Improper laws; constant changes in the legislature
2. There are regulated sources of revenue in raion budgets
3. The city doesn't assess raion financial position when determining percentage sharing of revenues
4. Budget deficit
5. There are no legal regulations that give finance bodies the right to penalize financial criminals
6. The higher level regulation of the lower level budget
7. Recession influences budget execution since less revenue is received
8. Absence of income tax forms
9. No enterprises data base for planning the budget revenues
10. A great amount of taxes both federal and local
11. Non-functioning methods for regulating raion and city budgets

12. Non-functioning system of setting expenditure norms of budget-funded organizations
13. Tax inspectorate is slow in transferring the money
14. No computers
15. Irrality in planning budget revenues and corresponding budget expenditures
16. Expenditure and revenue planning employs growth deflators, which are dictated from above, with no account of economic state of a region (raion)
17. Absolutely no information about budget activities
18. No reports of the city administration to the people
19. A relatively large group of citizens have absolutely no opportunity to influence/affect the distribution of budget funds
20. Planning and/or correcting the data about raion budget revenue sources is dramatically complicated by non-obligatory submission to raion administrators of information of some indicators/parameters of enterprises' work. This information has to be requested from tax inspectorates, which does not create good relationships with them, and makes it impossible to get information about the parameters.
21. Insufficient information about the financial position of an enterprise for revenue planning
22. Untimely information about legal regulations
23. Inefficiency of banks (e.g., loss of documents)
24. Delays in information exchange
25. Subjective approach to setting sharing rates for different raions
26. Untimeliness and incompleteness of expenditures refunding
27. No audit of financial reports by an independent commission
28. Budget modification lags behind inflation in the price of materials, labor, and other costs

After a multi-voting procedure to identify the problems of greatest interest to the group, one question was selected to demonstrate the brainstorming technique: What can we

actually do to make legislation more stable, perfect, and less contradictory?

The group appeared to respond very well to the brainstorming technique. Initially taking such a serious subject can sometimes lead to disaster with such a large group (over 20 people): a humorous topic is usually suggested for demonstration. However, the group was quite lively and, as you can see, lots of humorous ideas emerged. With the help of the Russian facilitators, Olga and Irina, the group took to heart the key rules of brainstorming: no criticism and hitchhiking is encouraged. Since the responses were translated from two flip charts, the "hitchhiking" of ideas is masked in the following list, but not the humor. The participants appeared to be quite "engaged" in all of the brainstorming activities and developed the following set of ideas regarding what can be done to make legislation more stable, perfect, and less contradictory.

1. Elect smart people for legislative activity
2. Invite Mrs. Thatcher
3. Let the government work in lower-level authority bodies
4. Discuss new legislative acts on a referendum
5. Make up projects of legislative acts at the lowest level of government
6. Brainstorm projects of legislative acts at the lowest level of government
7. Sell the deputies, and use the profit to buy new ones
8. Create huge penalties for non-execution and violation of laws
9. Radically improve economic position
10. Make city enterprises work faultlessly
11. Award prizes for correct execution of laws (tickets to Italy or Burevestnik)
12. Give the right to local authorities to dispose [spend?] federal tax funds
13. Introduce monarchy or dictatorship
14. Make it much worse for the others, then it would seem quite bearable for us
15. Exchange experience with the Baltic states
16. Raise rabbits on balconies

17. Legitimately allow NN to trade in armaments
18. Declare NN a free trade zone
19. Annex NN Region to the USA as the 51st state
20. For one-half year exchange the authorities and population of the NN Region with North Carolina
21. Reduce the number of dumb officials
22. Reduce the management
23. Let the government live as ordinary citizens
24. Take positive experience aside somebody else
25. Enforce laws
26. Separate the country into many tiny regions with their own legislature

Next, the participants split into four groups to select an issue and begin brainstorming. Groups were encouraged to select different issues, but were not required to do so.

Group No. 1: Problem: City does not assess raion financial position when determining percentage share of revenues

1. Expenditures for raions, cities, oblasts and republics should be based on per capita share of the budget
2. Work out and validate a social norm taking into account the following issues:
3. Infrastructure of the raion
4. Budget norms of budget items
5. Plan of social and economic development of the raion
6. Taxable income in terms of revenue sources
7. Differentiation of authority of a city and raion in managing municipal services--city charter

Group No. 2: What can be done to deal with the budget deficit?

1. Increase rates for allocations from federal sources of revenue
2. Increase objectivity of expenditures articles (...not translated...)
3. Find additional sources of revenue
4. Analyze reasons of receiving less revenue than expected
5. Pass financing of some organizations to sponsors
6. Increase number of paid-for services (i.e., fee-for-service) in [public] organizations
7. Let banks distribute income between budget levels
8. Let specialized organizations collect fees for public utilities
9. Shift "extra-budgetary" expenses on population (e.g., services, social programs)
10. Assign the right to grant tax privileges to the bodies of self-administration (?)
11. Organize farms on a self-payment basis.
12. Improve the state of the economy to improve revenue input
13. Enhance control over stipulated and efficient use of resources

Group No. 3: What can be done about the great amount of taxes?

1. Reduce number of taxes at all levels
2. Leave the following federal taxes--income tax for citizens, company income tax
3. Leave the following local taxes--property tax, land tax
4. Simplify payment of taxes
5. Exempt enterprises from taxes
6. While reducing taxes, provide budget expenditures
7. Introduce local taxes for purpose-oriented programs

8. Introduce new taxes: income tax, property tax plus local sales tax
9. Reduce reports about taxes
10. Introduce penalties for concealment of revenue, up to declaring an enterprise bankrupt
11. Simplify the system of relations between taxpayers and the tax inspectorate
12. Introduce automatic system of reports of all organizations and natural persons
13. Introduce a new tax after it has been approved by the citizens
14. Introduce local tax for service users

Group No. 4: What can be done to deal with the budget deficit?

1. Increase taxes
2. Live within one's resources
3. Increase control
4. Reduce expenditures
5. Insure proper and full tax collection
6. Introduce new taxes
7. Identify priorities of expenditures
8. Give finance departments more rights to penalize people who do not pay their taxes
9. Define the duties and obligations of finance departments
10. Let budget organizations provide additional paid services
11. Look for sponsors and use their funds to increase budget revenues and/or reduce expenditures
12. When making up a budget, take into account take into account specific features of a raion, especially its economic conditions
13. Get legal permission to sell armaments abroad

14. Reorganize inefficient budget-funded enterprises
15. Reform the tax system
16. Establish and improve economical links between regions
17. Give more freedom to organizations

SUMMARY (for report back to the group as a whole)

1. Radical reform of the tax system
2. Determine the status of financial bodies at the various levels
3. Set priorities when making up the budget expenditures
4. Extend the sphere of paid-for services ("fee for service") rendered by budget-funded enterprises
5. Draw in additional sources of funding for budget-funded enterprises
6. Use "bottom up" approach in creating budgets
7. In order to promote conversion and transition to civil production, provide 2-3 year sales of the armaments that have been produced already

Day 2: Using Brainstorming to Identify Possible Initiatives Related to Effectiveness and Transparency/Accountability Standards

On Sunday morning participants used brainstorming to identify possible initiatives which would advance the overall objectives of increasing municipal management effectiveness and transparency/accountability. Six issues were identified from the performance monitoring framework:

1. Impacts of municipal budget policies on service delivery (in one or more service areas),
2. Improved collaboration among the municipal, raion and enterprise levels in allocating resources;
3. Promotion of private sector development and competition;
4. Increased public knowledge of budgetary information;
5. Increased interaction between citizens and public officials; and
6. Increased public influence on municipal service outcomes.

The rules of brainstorming were re-introduced and the overall group started working on the question: What can be done to increase interaction between citizens and public officials? Again, humor and hitch-hiking prevailed and a rather large list of ideas emerged.

1. Set regular hours for periodic public meetings
2. Have local officials report on TV periodically (every month or every three months)
3. Teach people to listen to each other
4. Create acceptable working conditions for officials and a reception area for the public
5. Identify public officials by name and title at their work place
6. Improve the well-being of public officials
7. Have a room for psychological relaxation in offices
8. Make citizens more competent
9. Provide more time for "News of Nizhny Novgorod" on TV
10. Continue publishing the Governor's and Mayor's instructions and acts
11. Provide officials with milk
12. Provide officials with entertainment expenses
13. Organize press conferences every month
14. Dress officials' spouses in the best clothes
15. Implement "brainstorming" among citizens
16. Do NOT delay salaries
17. Have officials be more practical and "down-to-earth"
18. Inform citizens about officials' salaries and income
19. Involve people in city planning and organization of public services
20. Provide free tickets to public attractions for all public officials

21. Introduce the practice of letters to newspapers on finance issues
22. Create equal living conditions
23. Organize local TV
24. Have a visitor's book in city offices
25. Inform citizens about officials' duties
26. Teach officials to explain things patiently and listen to people
27. Let only mentally healthy people enter official buildings
28. Provide medical examinations for all public officials
29. Provide waiting rooms for visitors in public offices
30. Introduce obligatory budget education for citizens
31. Dress Officials in the best clothes
32. Provide recreation for officials
33. Use newspapers and all other means to improve connections between citizens and officials
34. Provide a cup of coffee and a smile for every visitor
35. Follow the principle: If you promised, do. If you can't do something, don't make promises.
36. Have public officials be polite
37. Provide quiet, pleasant music in offices
38. Have complete silence in offices
39. Use more computers in offices
40. Make it possible for officials and citizens to communicate through computers
41. Increase salaries for public officials

42. Have senior executives provide favorable psychological environments in their organizations
43. Give tests to public officials, including lie detector tests
44. Declare the incomes of public officials
45. A business car for every official

The four groups then selected an issue and began brainstorming. Each group was supposed to pick a different issue, however, not speaking Russian was a major obstacle to controlling this process, and two groups worked on the same problem. The ideas generated by the four groups are presented below.

Group No. 1: What can be done to increase public influence on municipal service outcomes?

1. Public influence on municipal service outcomes is considerable
2. Create a list of all available services
3. Develop the services
4. Insure the conformity of the budget with the social and economic development plan of the raion
5. Tax exemptions for enterprises rendering services
6. Give services to private ownership; to specialists in this field
7. Sell the services to at a very high price to a first customer
8. Provide financial help to specific programs from raion budgets
9. Attract financial resources from sponsors
10. Make the actual cost of production and the price as close as possible
11. Reward enterprises rendering best services after asking people's opinion (in questionnaire)
12. Help such enterprises in buying equipment and materials
13. Create a leasing fund for equipment

14. Open preferential budget credits
15. Administer penalties for non-performance of a contract

Group No. 2: What can be done to increase public influence on municipal service outcomes?

1. Give citizens greater control over execution of work and expenses
2. Inform citizens about financial situation of the services and about their structure
3. Provide close interaction between service departments and citizens when solving different problems
4. Provide material incentives for citizens to carry out some work in public services
5. Organize citizens to help pensioners and disabled persons
6. Report to citizens how funds are used
7. Organize brainstorming among citizens to solve problems of public services
8. Help citizens in organizing playgrounds for children
9. Make people in charge of city services more responsible for dates and quality of public works
10. Have citizens help find sponsors to solve problems in municipal services
11. Restore the idea of subbotniks (organized volunteer work in cleaning streets, planting flowers and trees, etc.; a.k.a. Saturday spring cleaning) But remember: "It's not clean where they sweep, but where they don't drop litter." (Russian saying)

Group No. 3: What can be done at the municipal level to promote private sector activity and competition?

1. Go to the United States to study how they do it
2. Assign land for private construction
3. Privatize land
4. Give land in rent to farmers

5. Develop network of private services (repair shops, etc.)
6. Rob a bank
7. Provide credit on easier terms
8. Pass a law "of private property"
9. Reduce Central Bank interest rate; improve professional skills of bank employees
10. Pass a law stimulating the development of competition
11. Reward private property owners
12. Sell shops to private owners at closed tenders
13. Pass a law abolishing "telephone right" (using personal influence of high officials in solving different problems, e.g., employing people whom they know personally)
14. Build more roads and lay gas pipelines everywhere
15. Reduce state influence on development of services and industry
16. Eliminate racketeering

Group No. 4: What can be done to increase public knowledge of budgetary information?

1. Inform citizens about budget planning and execution through mass media
2. Analyze execution of the budget for each revenue source and expenditures for each enterprise and inform citizens about the results of this analysis
3. Inform the citizens about legislative acts and regulations of local administration and providing the required facilities to make them work
4. Organize meetings, including press conferences, of executives and citizens (possibly with cocktails)
5. Make a display with a photo, personal information, and duties of every official working in an organization so that people can know whom to address with specific questions

6. Broadcast (radio and TV) meetings of high executives
7. Provide consultations on budget issues for the citizens
8. Introduce a new subject in schools: "Finance and Budget Structure"
9. Explain to citizens what kind of taxes they pay and where they go
10. Have "Days of Open Doors" in finance organizations
11. Advertise information on budget implementation on TV (to make some kind of soap opera)
12. Popularize budget issues with the help of TV and film stars
13. Have a "hotline" telephone number where you can get answers to questions on the budget

WORKSHOP EVALUATION

At the conclusion of the workshop, participants were asked to respond to three questions:

1. What did you like best about the workshop?
2. What could be done to improve the Workshop?
3. On a one to ten scale (1 = very bad and 10 = very good), how do you rate the workshop?

What did you like best about the workshop?

1. The way the Workshop was conducted: Communication, getting to know oneself and each other
2. The way the workshop was conducted, and the introduction to Deming's system and to the system of finance in Massachusetts
3. Brainstorming in large and small groups
4. Everything
5. Novelty of communication
6. Providing written material to participants

7. Learning new things
8. Learned a lot about different things in a short period of time; informal communications
9. Topic; way it was conducted; lecturers; interpreters; and participants
10. Informal, effective communication
11. Results of brainstorming
12. Methods of delivering tasks and knowledge
13. Opportunity to communicate with specialists in finance working in different levels of government
14. Working regimen/communication
15. The way the workshop was conducted; informal style of communication; opening of a new way of mutual productive work
16. The way the workshop was conducted and the problems discussed
17. Freedom
18. Composition/structure of the group
19. Bill Fuller
20. Openness in communication

What could be done to improve the Workshop?

1. "???" ; "--" (4 participants)
2. Make the workshop longer (3 participants)
3. Everything's fine
4. Working conditions (2 participants)
5. To have such seminars more often (2 participants)
6. More visual aids (slides, etc.)

7. Too much brainstorming
8. Vary the tasks (less repetition)
9. I have to learn English
10. Have additional practical sessions
11. Inner logic of the workshop
12. Maybe having simultaneous translation
13. To get acquainted with people before; introduction of all the participants (job, age, family, children, hobbies, etc.)

Summary of ratings (1=very bad; 10=very good)

10's: 11

9's: 3

8's: 6

Average = 9.25

In summary, the workshop went quite well. This group of Russian finance officials appeared to be quite interested in and effective in what some Russians call "business games" (e.g., brainstorming and nominal group technique). The biggest disappointment is that there was not more time, either during the workshop or during the following week to "refine and process" some of the excellent ideas generated during the workshop. This issue will be addressed further in the Findings/Discussion section.

B. Nizhny Novgorod Performance Monitoring and Evaluation (PME) Framework

As noted above, the basic structure of the NN Performance Monitoring and Evaluation (PME) framework was created during and immediately after Larry Cooley's April 1994 visit to Nizhny Novgorod. This framework includes three results levels and eight performance standards:

National Level

1. Replication/Duplication

Municipal Level

2. Effectiveness
3. Transparency/Accountability
4. Efficiency
5. Sustainability

Project Level

- 6. Systems Development
- 7. Planning and Analysis
- 8. Training

Each of these performance standards includes a set of objectives developed specifically for the MFM Project site in NN. There are a total of 27 objectives for the NN MFM Project, which represents a substantial undertaking for an 18 month project operating with a small staff.

The purpose of the present effort is to further develop this PME framework by (a) identifying performance indicators/ measurements, and/or clarifying how these indicators/ measurements will be established; and (b) identifying whether baseline measurements will be obtained and, if yes, how they have been or will be collected. Please see the table presented below for a complete listing of these objectives, the indicators/measurement, and baseline measures.

**TABLE 1
MFM PERFORMANCE MONITORING FRAMEWORK**

- Goals:**
- 1. Strengthen accountability and control by keeping track of results compared with plans and objectives
 - 2. Improve decision making by clarifying information on objectives, alternatives and consequences
 - 3. Enhance performance by improving implementation and methods
 - 4. Build understanding of MFM by providing information of significance to various stakeholders and audiences

Preliminary Levels and Standards/Parameters of Performance:

Results Level/Standard	Indicators/Measurement	Baseline
NATIONAL LEVEL 1. Replication/Demonstration		
MUNICIPAL LEVEL		
2. Effectiveness		
2.1 Demonstrable Improvement in aspects of service delivery (focus on transportation sector)	Algun Ersenhal to establish indicators/measurement for transportation sector during Oct 31 - Nov 5 visit	Algun Ersenhal to do baseline measurement during Oct 31 - Nov 5 visit

Results Level/Standard	Indicators/Measurement	Baseline
2.2 Increase in local responsibility for and control of municipal finance and management	Study done at the 2-year mark of the Project	Baseline data collected in RTI, AMS, & World Bank studies
2.3 Policies adopted at municipal level to promote private sector activity and competition	Study done at the 2-year mark of the Project	Baseline data collected in RTI, AMS, & World Bank studies
3. Transparency/ Accountability		
3.1 Increased public knowledge of budgetary information	Number of public meetings of finance officials (Budget hearings, news conf., etc.); Citizen survey done at the 2-year mark of the Project	Count of public meetings started in 1994; Citizen survey conducted early in 1995
3.2 Increased interaction between citizens and public officials	Number of public meetings of finance officials; Citizen survey done at the 2-year mark of the Project	Count of public meetings started in 1994; Citizen survey conducted early in 1995
3.3 Increased public influence on municipal service outcomes (voice)	Algun Ersenhal to establish indicators/measurement for transportation sector during Oct 31 - Nov 5 visit	Baseline data in World Bank study; Algun Ersenhal to do baseline measurement as needed Oct 31 - Nov 5
3.4 Clearly defined lines of authority and responsibility for public officials	Study done at the 2-year mark of the Project	Baseline data collected in RTI, AMS, & World Bank studies
3.5 Open publication of service data and results	Amount of publication of fees, regulations, etc.; study done at the 2-year mark of the Project	Baseline data collected in RTI, AMS, Peace Corps, & World Bank studies
4. Efficiency		

Results Level/Standard	Indicators/Measurement	Baseline
<p>4.1 System outputs: relevant and accurate system data available, especially on:</p> <ul style="list-style-type: none"> - Demand for services - Level of services being provided - Full and accurate cost of services - Tax, fee, and other revenue levels 	<p>Jim McCullough to establish indicators/measurement during Oct 31 - Nov 5 visit</p>	<p>Baseline data collected in RTI, AMS, & World Bank studies; Jim McCullough to do any additional baseline measurement during Oct 31 - Nov 5 visit</p>
<p>4.2 Management Actions: data and appropriate analysis used to guide and reconcile decisions - for example:</p> <ul style="list-style-type: none"> - Revenue and expenditure estimation - Investment priorities - Capital financing strategy - Procurement management - Preferred budget scenarios - Cash flow management 	<p>Jim McCullough to establish indicators/measurement during Oct 31 - Nov 5 visit; Georgia State to do FPF Training followup</p>	<p>Georgia State training needs assessment; Jim McCullough to do additional baseline measurement as needed during Oct 31 - Nov 5 visit</p>
<p>4.3 Reduced cost of finance administration</p>	<p>Jim McCullough to establish indicators/measurement during Oct 31 - Nov 5 visit</p>	<p>Jim McCullough to do baseline measurement during Oct 31 - Nov 5 visit NOTE: Cost not expected to decrease in duration of project because of continuing implementation expenses - training, "trouble-shooting," making system adjustments, buying new equipment</p>
<p>5.0 Sustainability</p>		
<p>5.1 MFM innovations incorporated into city organizational structure, legal framework, practices, and budget</p>	<p>Implement LGFS (Local Gov't Finance System); MSI initiatives</p>	<p>Baseline data collected in RTI, AMS, & World Bank studies</p>

Results Level/Standard	Indicators/Measurement	Baseline
5.2 MIS planning and management capacity in place	Study done at the 2-year mark of the Project	Baseline data collected in RTI, AMS, & World Bank studies
5.3 Recurrent costs of ADP systems incorporated in city budgets	Study done at the 2-year mark of the Project	Baseline data collected in AMS (Dan Goetz) and IRM studies
5.4 Training institutionalized and municipal finance and management training available in city or in-country institutions	MFM Training Manual published and training implemented; number of course and participants; study done at the 2-year mark of the Project	Baseline data collected in RTI and AMS training needs assessment
Results Level/Standard	Indicators/Measurement	Baseline
6.1 Development and implementation of financial and management systems, for example: <ul style="list-style-type: none"> - Integrated and improved central municipal financial management systems - Integrated and improved financial management system for raion level and implementation in one or more of these local districts - Integrated and improved financial systems in one city department or enterprise (e.g., water, sewer, sanitation, education) 	Implement LGFS (Local Gov't Finance System); study done at the 2-year mark of the Project	Baseline data collected in RTI and AMS studies

Results Level/Standard	Indicators/Measurement	Baseline
6.2 Automation equipment in place and operating effectively	Equipment installed and operating effectively	MFM and Finance Dept. staff prepare brief report on equipment and complete acceptance letter
6.3 New software applications developed and installed	Software installed and operating effectively	MFM and Finance Dept. staff prepare brief report on previous software
6.4 Capacity to plan, manage, and maintain computerized information systems	Monitor and make biannual report on ability to plan, manage, and maintain computerized information systems	MFM and Finance Dept. staff brief report on previous practices of planning, managing, and maintaining computerized information systems
7. Planning and analysis		
7.1 Increased awareness of good municipal management practices	Study done at the 2-year mark of the Project	Baseline data collected in RTI, AMS, & World Bank studies
7.2 Improved definition of municipal functions and intergov'tal relations	Study done at the 2-year mark of the Project	Baseline data collected in RTI, AMS, & World Bank studies

Results Level/Standard	Indicators/Measurement	Baseline
<p>7.3 Capacity developed for key management functions, for example:</p> <ul style="list-style-type: none"> - Current financial policies, systems and information flows defined and analyzed - Necessary legislative changes identified and proposed - Budget policy recommendations drafted - Policies of centralization of financial management functions recommended - Recommendations for pilot departments, districts, and infrastructure agencies made - Financial management and budgeting systems developed (functional specs, TORs, cost estimates, etc.) 	Study done at the 2-year mark of the Project	Baseline data collected in RTI, AMS, & World Bank studies
8. Training		
8.1 Training plans developed in municipal offices/departments	Develop training plan for Finance Dept. and Raion budget officials	MFM and Finance Dept. staff identify previous training provided for Finance Dept. and Raion budget officials
8.2 Training implemented in accordance with plan	Monitor implementation of training plan on biannual basis	MFM and Finance Dept. staff identify extent of implementation of previous training plan
8.3 Training plan implemented and outcomes monitored and evaluated internally	Monitor and evaluate outcomes of training plan; report on biannual basis	MFM and Finance Dept. staff identify extent of monitoring and evaluation of previous training plan

Results Level/Standard	Indicators/Measurement	Baseline
8.4 Training programs adequately funded and provided with necessary administrative resources	Report on funding and support of training plan on biannual basis	MFM and Finance Dept. staff identify extent of funding and support of previous training plan
8.5 Other elements of local training plan implemented	Develop training plan for city officials in transportation sector	MFM staff and/or consultants identify previous training provided for transportation officials

it is important to note that the MFM has two options for handling its PME system. **Option 1** is to develop a system that serves principally the information needs of AID with only marginal side benefits for the project cities. Since the main audience for this performance information would be AID management, the data collection and analysis would be confined to meeting that group's priority information needs. These needs would center on questions of accountability and on reporting up the AID hierarchy and beyond (e.g., Congress). Under Option 1, information would be at a relatively high level of aggregation and generality. The detailed, activity-specific type of performance information needed by the cities to manage for results (MFR) would receive much less attention. Using Option 1 there would be minimal MFR transfer to the cities to reinforce and sustain the MFM investments in them.

In contrast, **Option 2** would make MFR transfer a central, substantive contribution and product of the project. That is, the cities would develop detailed PME systems that are integral to their planning and performance monitoring processes. Thus, MFR would be a **major benefit to the project cities** that will continue beyond MFM. In Option 2 performance monitoring is much more than a limited-focus tool for AID to keep track of the project and report to others on its results. At the city level, MFR would be a positive means not only to focus cities on results-oriented management, but equally important in this turbulent region of the world, to introduce the changes in governance associated with the dramatic historical movements underway. For example, governments in the region are moving quickly towards greater decentralization, and, in the process, being pressed to be more responsive and accountable to their citizens than to a national bureaucracy.

Service delivery improvement is relevant to both options, but only Option 2 supports MFR transfer to the cities as a means to improve service delivery and promote sustainability. Thus, MFR becomes both a process and a product. Option 1, on the other hand, delimits MFR's role to meeting AID's immediate information needs without explicitly extending it to the cities to meet their longer-term, post-MFM needs for sustained service delivery improvement.

Since the MFM site at Nizhny Novgorod is nearly into its second year, it would be difficult to implement an "Option 2 approach" for **all** of its performance standards and objectives. It would be most difficult to use the "Option 2 approach" for the **effectiveness** and the **transparency/accountability** objectives. However, I would recommend that an effort be made to help the city develop its own PME/MFR for **project level** standards and objectives. That is, introduction of new computer equipment into the municipal planning and budgeting systems also introduces new capabilities and requirements for (a) **training** personnel to use this equipment, (b) **developing new systems** to properly implement this new equipment (perhaps using a "re-engineering approach"), and (c) using this equipment more effectively in the **planning and analysis** activities. Furthermore, in order for the capabilities of this equipment to be fully exploited, the training, systems development, and planning and analysis activities must continue after the MFM Project is completed.

Since the primary strategy for ensuring the **sustainability** of the MFM innovations is to install the Local Government Finance System (LGFS), it would be possible to use the Option 2 approach for this set of objectives. Also, since computer equipment can be expected to have a direct impact on the efficiency of the finance and budgeting systems, I recommend Jim McCulloch explore the possibility of using an "Option 2 approach" to the **efficiency** objectives.

Finally, I recommend that an "Option 2 approach" be applied to a limited number (e.g., 4 or 5) of other objectives to be selected by the "Nizhny Novgorod MFM Team." Recommended procedures for selecting these special "sub-projects" are presented in the Future Activities section.

C. Moscow Activities

In July 1994 I participated in a study tour that included members of the Moscow Duma and Mayor's office. In the course of the study tour members of the Duma had requested specific information about veterans affairs, economic development programs, and management books and other materials that could not be provided in the course of the tour. Since I had to travel through Moscow to and from Nizhny Novgorod, I delivered the following materials:

1. The Federal Quality Institute's (FQI) "Introduction to TQM" and FQI's recommended bibliography of books and articles on management, and Peter Drucker's New Realities;
2. Materials from the Department of Commerce's Russia Desk describing programs designed to increase business activity between Russian and American businesses; and
3. A comprehensive set of statutes and regulations associated with veterans affairs.

Al Sharp and his staff were very helpful in helping me contact members of the Duma and in providing translating services. In the course of delivering these materials I met briefly with the following people who I had previously met on the study tour: Vladimir Katushonok, Valeri Pavlov, Irina Roukina, Alexander Gromiko, and Pavel Makagonov.

IV. FINDINGS/GENERAL DISCUSSION

The Nizhny Novgorod Workshop was very well received. Nearly all of the participants expressed an interest in having future workshops. In general, Russian people appear to be quite amenable to and effective in group activities. Nearly all of the participants appeared "fully engaged" in the workshop activities throughout the weekend. This is even more noteworthy given the fact that most participants were accompanied by their families, and they had just completed a hard week of work and were looking forward to another hectic one to follow. I expected some participants to find a way to "drift away," either physically or mentally, but this did not appear to happen.

Also, the ideas associated with state-of-the-art American management theory, especially TQM, were well received. I think it is important to follow up as soon as possible with additional workshops that focus on a specific set of issues that show the most promise. For example, it would be good to experiment with a limited number (two or three) of "Quality Improvement Teams, under the direction of Slava and Bill, to work on two or three problems identified during the course of the week. Some problems that might be addressed include:

1. Let budget organizations provide additional paid services
2. Look for sponsors and use their funds to increase budget revenues and/or reduce expenditures
3. When making up a budget, take into account specific features of a raion, especially its economic conditions
4. Reorganize inefficient budget-funded enterprises
5. Reform the tax system
6. Establish and improve economical links between regions

Such activity should be proceeded by additional training on state-of-the-art methods for improving processes and systems -- either continuous quality improvement, or reengineering, or a hybrid of the two.

The week following the Workshop was quite hectic. Not only had key members of city and raion finance departments been away working all weekend, but some of these same people had to prepare to go the U.S. for training late in the week. The MFM Office, as well as Slava and his staff, were extremely busy handling passports, visas, transportation, etc. Slava and Bill will review this report and the results of the Workshop the week of September 12, 1994.

Russian Counterparts

The MFM project in Nizhny is fortunate to have an excellent set of Russian counterparts. Slava Aksinyin is bright, dedicated, hard-working and a natural leader. He is expected to become the Director of the Finance Department when the current director, Ms. Nina Paulkina retires from that position. (Ms. Paulkina is expected to stay on as Deputy Mayor.)

Bill recruited an excellent support staff to assist in conducting the workshop. It would have been impossible to conduct a quality workshop without the assistance of Irina and Olga. They both backgrounds in general psychology and education, and teach at the NN Linguistic Institute. They have extensive experience in conducting what is called "teacher effectiveness workshops" in the United States. They do not have any background in management or working with managers, but they have skills in facilitating groups and conducting experiential learning workshops.

Svetlana, who is equivalent to ABD at the linguistic Institute, has a delightful British accent and is a hard worker. She has potential as a facilitator, but would need substantial training compared to Olga and Irina. Svetlana also came complete with husband, Vadim, who is also a translator. Vadim, who will be accompanying one of the training groups going to the U.S., also provided invaluable support during the weekend.

V. FUTURE ACTIVITIES

In my opinion, it is important that NN finance officials experience some success in making substantive improvements in their municipal planning and budgeting system. The September Workshop can be considered the idea generation phase of a strategic planning activity designed to identify a limited number of "budgeting/management process improvement initiatives" to be pursued within the Nizhny Novgorod municipal government (including raions).

Ideally these initiatives should be identified in a follow-on workshop conducted as soon as possible after key officials return from vacations and training in the United States. However, at that time the MFM staff will be overwhelmed with activities associated with the acquisition and installation of computer equipment. Therefore, the workshop should be scheduled as soon as possible after the installation of the computer equipment - perhaps in late November or early December 1994.

The proposed Workshop should have three objectives: (a) identifying and prioritizing a short list (seven to ten) "process improvement initiatives" relevant to Nizhny Novgorod's Municipal Finance Management systems; (b) clarifying what results/objectives each of these initiatives is designed to achieve; and (c) specifying how these results are to be measured. The workshop should be designed so that participants review both the specific objectives of the MFM Project and the ideas generated in the September Workshop in the course of identifying and prioritizing the initiatives. If possible these special initiatives relate to objectives identified with the **effectiveness** and **transparency/accountability** of management and budgeting systems:

- Demonstrable improvement in aspects of service delivery,
- Increase in local responsibility for and control of municipal finance management,
- Policies adopted at municipal level to promote private sector activity and competition,
- Increased knowledge of budgetary information,
- Increased interaction between citizens and public officials,
- Increased public influence on municipal service outcomes (voice),
- Clearly defined lines of authority and responsibility for public officials, and
- Open publication of service data and results.

As noted above, some specific initiatives that might be addressed include letting budget organizations provide additional paid services; reorganizing inefficient budget-funded enterprises; and establishing and improving economical links between regions.

I recommend that Slava and Bill make the final decisions as to how many and which "initiatives" are pursued based on a set of criteria, including the scope of the initiative (i.e., its size and whether it is within the "manageable interests of the municipality), its potential impacts, its relative importance, and available resources. Furthermore, I recommend that the "NN MFM Team" use the MFR "Option 2 approach" for each of the initiatives selected.

Translation of Management Materials

There is a limited amount of books and articles on management theory and practice available in Russian. Therefore, it is important to translate some key, state-of-the-art materials into Russian as soon as possible. As a start, I would recommend translating the three books I left with the NN MFM Team:

1. The Deming Management Method by Mary Walton, 1986, New York, Perigee Books;
2. The Team Handbook by Peter R. Scholtes, 1988, Madison, WI, Joiner Associates; and
3. Theory Z by William G. Ouchi, 1981, New York, Avon Books.

APPENDIX A

LIST OF WORKSHOP PARTICIPANTS

Russians

1. Palkina, N.V. Chief of the Finance Department
2. Akinyin, V.B. Chief of the Finance Department Deputy
3. Vorontsova, L.L. Chief of Planning sector Deputy
4. Korovenkova, V.A. Chief of Prioksky Raion Finance
5. Duchan, T.D. Chief of the Budget Sector, Prioksky Raion
6. Volkova, G.V. Chief accountant, Sovetsky Raion
7. Korsakova, G.V. Chief of Sormovsky Raion Finance Deputy
8. Silkina, A.I. Chief of Kanavinsky Raion Finance
9. Krasilnikova, L.A. Chief of Sormovsky Raion Finance Deputy
10. Borisova, S.P. Chief of Kanavinsky Raion Finance Deputy
11. Bogatnov, G.A. Chief of Moskovky Raion Finance Deputy
12. Konnonova, A.A. Chief of Nizhegorodsky Raion Finance
13. Titova, N.M. Chief of Avtozavodsky Raion Finance Deputy
14. Yemelina, C.A. Chief accountant Deputy, Avtozavodsky Raion
15. Sergeeva, A.E. Chief of the Budget Sector, Leninsky Raion
16. Simanovskaya, M.V. Chief of Leninsky Raion Finance Deputy
17. Banah, L.A. Chief of Sovetsky Raion Finance Deputy
18. Ofrova, S.N. Chief of Sovetsky Raion Finance Deputy
19. Zimina, I.A. Housing Authority Deputy
20. Muralev, S.V. Municipal Bank
21. Bogdanov, O.G. Municipal Bank
22. Borodina, E. N. Chief of the Tax Inspectorate Deputy

Americans

1. Bill Fuller MFM Project Advisor/Field Representative
2. Al Sharp MFM Project Advisor/Field Representative
3. Jim Chase MFM Project Consultant
4. David Musante International Executive Service Corps, Regional Director

APPENDIX B

NIZHNY NOVGOROD WORKSHOP AGENDA -- September 2-4, 1994

FRIDAY -- Setting the stage

- 1500 Arrive and "settle in"
- 1700 Introduce Weekend Workshop
- 1710 - N. Palkina welcome participants
- 1720 - Slava: Introduce MFM Project and outline objectives of workshop
- 1745 - Jim: Set context of workshop by providing brief history of evolution of American management theory and techniques in 20th Century
 - Outline agenda for workshop and identify types of issues and management techniques that will be covered
 - Introduce simple "icebreaker technique": Participants pair off; converse for 4 minutes and introduce each other by providing name, department, functional responsibilities, personal information, and kinds of things expect to get from weekend
- 1815 - Jim/Slava: Review expectations for workshop identifying those that can and cannot be met
- 1830 Cocktails (spouses not present at cocktails to provide for better "esprit de corps")
- 1900 Dinner/Supper

SATURDAY -- focus on budgeting issues and consensus building techniques

0900 Slava: Introduction of Financial Planning Framework Training with opportunity for questions and comments

0920 Bill: Introduction of gov't structure and budgeting procedures in North Carolina with opportunity for participants to ask questions and react to information

Al Sharp: Discussant identifying differences, similarities, and implications for MFM Project

1030 Break

1045 Enhancement of budget process in Nizhny-Novgorod

- Jim: Introduction of nominal group technique as means of identifying and evaluating key issues

- Identify things in the budgeting process that are working well

- Identify areas needing improvement

- Jim/Irina/Olga: Team building exercise to identify different approaches to handling conflict

1215 Lunch Break

1345 - Jim: Rating of importance of areas needing improvement

NOTE: During lunch break, areas needing improvement will be written on flip charts

- Jim: Identification of areas which city/raions can control/influence

- Jim: Introduction of brainstorming as means of quickly identifying optional courses of action

1515 Break

1530 Jim: Review rules for brainstorming

Break into 4 work teams to

a. select a problem area

b. identify strategies for improving the problem area

1600-1700 Break for refreshments

1745 - Teams finish work and report back to overall group

- Group discussion of problems and strategies

1900 Cocktails and Dinner (Spouses invited)

SUNDAY -- Review budget issues and identify impacts of MFM Project

- 0900 Jim: Do exercise - Theory X/ Theory Y
- 1000 - Slava/Bill/Jim: Address any outstanding budgeting issues/problems identified on Saturday (ask group for input)
- 1030 Break
- 1045 Jim: Use brainstorming technique to identify what kinds of impacts municipal budget policies can on service delivery (in one or more service areas)
- Break into four groups to brainstorm ways for MFM to have a positive impact on the following areas:
1. Improved collaboration among the municipal, raion and enterprise levels in allocating resources;
 2. Promotion of private sector development and competition;
 3. Increased public knowledge of budgetary information;
 4. Increased interaction between citizens and public officials; and
 5. Increased public influence on municipal service outcomes.
- 1215 Break
- 1245 Report back to overall group
- 1515 - Slava/Bill: Identification of next steps for dealing with issues and problems identified in workshop
- Slava/Bill: Closing thoughts about workshop
- Irina: Workshop evaluation
- 1400 Workshop End!

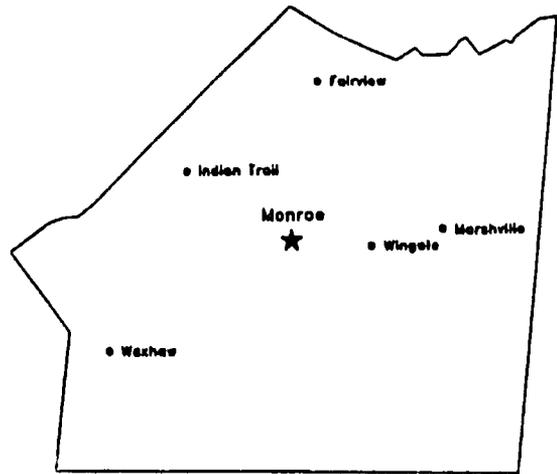
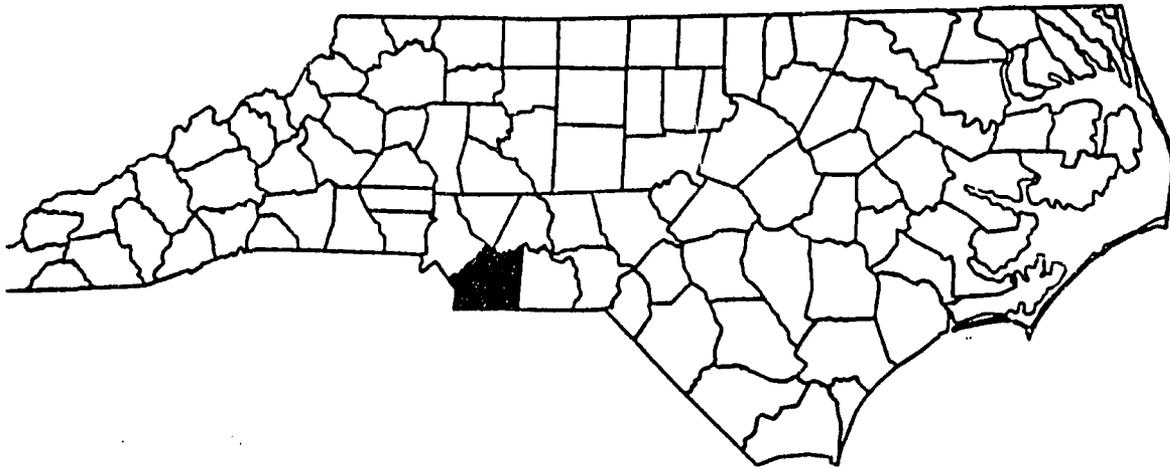
APPENDIX C

WORKSHOP HANDOUT MATERIALS

report.fn1
9/30/94

**MUNICIPAL FINANCE MANAGEMENT
PROJECT
CITY OF NIZHNY NOVGOROD**

**LOCAL GOVERNMENT
IN
NORTH CAROLINA**



United States; North Carolina; Union County.

NATIONAL, STATE, AND LOCAL GOVERNMENTS USA

15 Sep.

The U.S. has a *federal* system of government. National, state, and local governments each have their areas of responsibility and authority.

- ▶ National Government--Washington D.C. deals with problems that affect the entire country. We often call our national government the "federal government" because it is made up of 50 states. North Carolina being one of the 50 states.
- ▶ The U. S Constitution defines specific powers for the national government. All other powers automatically belong to State governments.
- ▶ County Governments--are arms of the state governments and is responsible for problems outside the jurisdictions of municipalities and incorporated townships.
- ▶ Municipality--a city, town, or village that has an organized government with authority to make laws, provide services, and collect and spend taxes and other public funds; municipalities powers are defined by their state constitutions.

Each level of government -federal, state, county, and municipal--is governed by elected officials. Each level of government provides certain services, regulates certain kinds of activities, and undertakes programs to improve public well-being.

Table 4.1 Major Services and Programs Provided by Counties and Municipalities in North Carolina

The list below shows which local governments usually provide a service. Remember, not every government provides each service. Also, there are several exceptions. For example, a few cities have jails and a few counties have public transit.

A. Services Usually Provided by Counties Only

- | | |
|---|---------------------------------|
| 1. Community Colleges | 8. Mental health services |
| 2. Cooperative (agricultural) extension | 9. Public health services |
| 3. Court facilities | 10. Public schools |
| 4. Elections | 11. Register of deeds |
| 5. Forest protection | 12. Social services |
| 6. Jails | 13. Soil and water conservation |
| 7. Medical examiner | 14. Youth detention facilities |

B. Services Usually Provided by Both Municipalities and Counties

- | | |
|---------------------------------------|---------------------------------|
| 1. Airports | 15. Industrial development |
| 2. Ambulance service | 16. Job training |
| 3. Animal shelters | 17. Law enforcement |
| 4. Art galleries and museums | 18. Libraries |
| 5. Auditoriums/coliseums | 19. National Guard |
| 6. Building inspection | 20. Open space and parks |
| 7. Cable television regulation | 21. Planning and zoning |
| 8. Community appearance | 22. Recreation programs |
| 9. Community and economic development | 23. Rescue squads |
| 10. Emergency management | 24. Senior citizen programs |
| 11. Environmental protection | 25. Sewer systems |
| 12. Fire protection | 26. Solid waste services |
| 13. Historic preservation | 27. Storm drainage |
| 14. Human relations | 28. Veterans' services |
| | 29. Water supply and protection |

C. Services Usually Provided by Municipalities Only

- | | |
|-------------------------|-----------------------|
| 1. Buses/public transit | 6. Sidewalks |
| 2. Cemeteries | 7. Street lighting |
| 3. Electric systems | 8. Streets |
| 4. Gas systems | 9. Traffic control |
| 5. Public housing | 10. Urban development |

MUNICIPALITIES

WHY MUNICIPALITIES ARE CREATED? People live near one another for many reasons:

- ▶ to conduct business,
- ▶ to live near their work, and
- ▶ to enjoy the company of others.

This togetherness creates many problems:

- ▶ water supply,
- ▶ sewerage systems,
- ▶ solid waste removal,
- ▶ fire fighting and police protection.

Municipal governments have been established so that the people living in each place can deal with problems that they face as a community.

HOW MUNICIPALITIES ARE CREATED? State government establishes cities and towns as municipal corporations. Like private corporations, municipal corporations can:

- ▶ *own property*
- ▶ *contract*--make agreements between two or more people or organizations
- *sue*--a person or an organization to prevent or pay for damage by that person or organization.
- *liability*--the extent to which people can be assessed damages because of mistakes.
- *levy*--to impose a tax by law.
- *incorporation*--the legal process of creating a new corporation.
- *charter*--the document defining how a city or town is to be governed and giving it legal authority to act as a local government.

- *annexation*--the legal process of extending municipal boundaries and adding territory to a city or town.
- *ordinance*--a law passed by a local government's governing body.

GOVERNING CITIES AND TOWNS

- *council manager plan*--elected councilmen hires a professional executive to direct government activities.
- *mayor/council plan*--mayor directs government activities.
- *commissioners plan*--city or town is divided up in to wards and a representative is elected in each ward to represent and direct city or town activities.

BUDGETING

- *revenue*--the amount of money that a government receives
- *fund balance*--money a government has not spent at the end of its fiscal year.

$$\text{EXPENDITURES} = \text{REVENUES} + \text{FUND BALANCE} - \text{WITHDRAWALS}$$

- *fiscal year*--the twelve-month period used by government for record keeping, taxing, budgeting, and other aspects of financial management.
- *appropriate*--to authorize the amounts of money government can spend.
- *principal*--the amount of money borrowed
- *interest*--a charge for borrowed money that the borrower agrees to pay the lender.
- *debt service*--payments of principal and interest on a loan.
- *capital*--facilities used to produce services. Local governments capital includes land, buildings, equipment, water and sewer lines, city streets and bridges.
- *bond*--a loan to government that is made when people buy the government's commitment to repay the loan, plus interest.
- *general obligation bond*--a loan that a government agrees to repay using tax money, even if the tax rate must be raised.
- *revenue bond*--a loan that a government agrees to pay off from fees collected through operating the facility built with that loan.
- *property tax*--a tax placed on the assessed value of property to be paid by the owner of that property.
- *assessed value*--the value assigned to property by government

- to establish its worth for tax purposes.
- *real property*--land and buildings and other improvement on it.
 - *personal property*--things people own other other than land and buildings.
 - *tax base*--the value of the property, sales, or income being taxed.
 - *total assessed value*--the sum of the assessed value of all the property a city or county can tax.
 - *property tax rate*--a percentage of the assessed value of property that determines how much tax is due for that property.
 - *sales tax*--a tax on each purchase paid by the buyer at the time of purchase.
 - *gasoline tax*--a tax on purchases of gasoline.
 - *users fees*--local government charge customers mfor many of the services they use. (e.g. play golf, swim).
 - *subsidize*--to reduce the amount users pay for a service by funding some of the cost from another source.
 - *subsidy*--a payment which reduces the cost to the user.
 - *intergovernmental assistance*--money given to l0ocal governments by state and federal governments to help meet specific needs. (airports, sewerage treatment plants).
 - *assessment*--a charge imposed on property owners for building streets, sidewalks, water lines, sewers. or other improvements government makes to property.

REPORT TO THE PEOPLE

At the end of each fiscal year, every local government in the U.S. prepares an annual financial report. This document summarizes all the government's activities: what it has received, what it has borrowed, what it has spent, what it is obligated to spend, and what it has in the fund balance. Each local government publishes its annual financial report, has it audited by an independent accounting firm, and files a financial summary with the Local Government Commission.

Deming's 14 Points

Over the years, Dr. Deming has developed 14 Points that describe what is necessary for a business to survive and be competitive today. At first encounter, their meaning may not be clear. But they are the very heart of Dr. Deming's philosophy. They contain the essence of all his teachings. Read them, think about them, talk about them with your co-workers or with experts who deeply understand the concepts. And then come back to think about them again. Soon you will start to understand how they work together and their significance in the true quality organization. Understanding the 14 Points can shape a new attitude toward work and the work environment that will foster continuous improvement.

Transformation Through Application of the Fourteen Points

1. Create constancy of purpose toward improvement of product and service, with the aim to become competitive and to stay in business, and to provide jobs.
2. Adopt the new philosophy. We are in a new economic age. Western management must awaken to the challenge, must learn their responsibilities, and take on leadership for change.
3. Cease dependence on inspection to achieve quality. Eliminate the need for inspection on a mass basis by building quality into the product in the first place.
4. End the practice of awarding business on the basis of price tag. Instead, minimize total cost.
5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs.
6. Institute training on the job.
7. Institute leadership. The aim of leadership should be to help people and machines and gadgets to do a

better job. Leadership of management is in need of overhaul, as well as leadership of production workers.

8. Drive out fear, so that everyone may work effectively for the company.
9. Break down barriers between departments. People in research, design, sales, and production must work as a team, to foresee problems of production and in use that may be encountered with the product or service.
10. Eliminate slogans, exhortations, and targets for the work force asking for zero defects and new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force.
11. (a) Eliminate work standards (quotas) on the factory floor. Substitute leadership. (b) Eliminate management by objective. Eliminate management by numbers, numerical goals. Substitute leadership.
12. (a) Remove barriers that rob the hourly worker of his right to pride of workmanship. The responsibility of supervisors must be changed from sheer numbers to quality. (b) Remove barriers that rob people in management and in engineering of their right to pride of workmanship. This means, *inter alia*, abolishment of the annual or merit rating and of management by objective.
13. Institute a vigorous program of education and self-improvement.
14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

Dr. Deming occasionally modifies the wording of these lessons as he gains new insight. This version is from December 1988.

CONFLICT-MANAGEMENT CLIMATE INDEX
Bob Crosby and John J. Scherer

Your Name _____

Organizational Unit Assessed _____

Instructions: The purpose of this index is to permit you to assess your organization with regard to its conflict-management climate. On each of the following rating scales, indicate how you see your organization as it actually is right now, not how you think it should be or how you believe others would see it. Circle the number that indicates your sense of where the organization is on each dimension of the Conflict-Management Climate Index.

1. **Balance of Power**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

Power is massed either at the top or at the bottom of the organization.

Power is distributed evenly and appropriately throughout the organization.

2. **Expression of Feelings**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

Expressing strong feelings is costly and not accepted.

Expressing strong feelings is valued and easy to do.

3. **Conflict-Management Procedures**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

There are no clear conflict-resolution procedures that many people use.

Everyone knows about, and many people use, a conflict-resolution procedure.

4. **Attitudes Toward Open Disagreement**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

People here do not openly disagree very much. "Going along to get along" is the motto.

People feel free to disagree openly on important issues without fear of consequences.

5. **Use of Third Parties**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

No one here uses third parties to help resolve conflicts.

Third parties are used frequently to help resolve conflicts.

6. **Power of Third Parties**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

Third parties are usually superiors in the organization.

Third parties are always people of equal or lower rank.

7. **Neutrality of Third Parties**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

Third parties are never neutral, but serve as advocates for a certain outcome.

Third parties are always neutral as to substantive issues and conflict-resolution methods used.

8. **Your Leader's Conflict-Resolution Style**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

The leader does not deal openly with conflict but works behind the scenes to resolve it.

The leader confronts conflicts directly and works openly with those involved to resolve them.

9. **How Your Leader Receives Negative Feedback**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

The leader is defensive and/or closed and seeks vengeance on those who criticize him/her.

The leader receives criticism easily and even seeks it as an opportunity to grow and learn.

10. **Follow-Up**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

Agreements always fall through the cracks; the same problems must be solved again and again.

Accountability is built into every conflict-resolution agreement.

11. **Feedback Procedures**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

No effort is made to solicit and understand reactions to decisions.

Feedback channels for soliciting reactions to all major decisions are known and used.

12. **Communication Skills**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

Few, if any, people possess basic communication skills or at least do not practice them.

Everyone in the organization possesses and uses good communication skills.

13. **Track Record**

1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____

Very few, if any, successful conflict-resolution experiences have occurred in the recent past.

Many stories are available of successful conflict-resolution experiences in the recent past.

**CONFLICT-MANAGEMENT CLIMATE INDEX
SCORING AND INTERPRETATION SHEET**

Instructions: To arrive at your overall Conflict-Management Climate Index, total the ratings that you assigned to the thirteen separate scales. The highest possible score is 78 and the lowest is 13.

Then compare your score with the following conflict-resolution-readiness index range

Index Range	Indication
60-78	Ready to work on conflict with little or no work on climate
51-59	Possible with some commitment to work on climate.
13-30	Very risky without unanimous commitment to work on climate issues.

Find your lowest ratings and study the following descriptions or interpretations of the thirteen separate dimensions. As you read the descriptions, think about what specifically might be done (or changed) in other activities described, in order to increase your organization's readiness to manage conflict more effectively.

CLIMATE FACTORS AFFECTING CONFLICT MANAGEMENT IN ORGANIZATIONS

1. *Balance of Power.* Simply stated, is power spread appropriately and realistically throughout the organization, or is it massed at either the top or bottom levels? The ideal is not for everyone to have equal power, but for a general feeling among most members of the organization that they have sufficient influence over the most significant aspects of their work lives. This may include the power to obtain a fair hearing and a realistic response from someone in authority.

This factor is important because it reflects the extent to which communication is likely to be distorted. Research evidence (Mulder, 1960; Solomon, 1960) seems to indicate that when two people perceive their levels of power to be different, they are likely to mistrust any communication that takes place between them. People who perceive themselves as being less powerful than the other party tend to perceive communication from that person as being manipulative or condescending. Those who see themselves as being more powerful experience communication from the less powerful as being devious or manipulative. Ironically, these more powerful persons also perceive collaborative behavior as an indication of weakness on the part of those whom they see as less powerful. These perceptions can make effective conflict resolution all but impossible.

In organizations in which power is massed at the top, it is extremely difficult for the third-party consultant to achieve the neutrality necessary to be effective without appearing to "take sides" with someone at the less powerful end of the organization. In organizations in which power is massed at the bottom, there is frequently so much disrespect for—or even disgust with—top management that it is difficult for the third-party consultant to encourage the more powerful workers to respect or even attend to any collaborative actions that top management may take.

Because an appropriate balance of power within an organization is relatively rare, the third party and the participants involved in the conflict will need to collaboratively seek ways to create a balance of power within the limits of the conflict-resolution episode. The two persons or parties in conflict must understand that the more powerful member is to lend some skills or status to the weaker member for the duration of the intervention and also that the more powerful member may not use that power to punish the subordinate, regardless of the outcome of the conflict-resolution process.

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 Lobos, M. *Managing conflict from the inside out*. Austin, TX: Learning Concepts, 1982.
 Thomas, K.W., & Kilmann, R.H. *Thomas-Kilmann Conflict Mode Instrument*. Sterling Forest, Tuxedo, NY: Kicon, 1974.

Marc Robert, Ed.D., is the coordinator of staff development for the Los Angeles Unified School District. He is the author of *Loneliness in the Schools*, *School Morale*, and *Conflict Management from the Inside Out*. Dr. Robert's background is in education at all levels and in leadership training. He has consulted widely over the past decade, specializing in employee morale, motivation, and conflict management.

CONFLICT-MANAGEMENT STYLE SURVEY

Marc Robert

Name _____

Date _____

Instructions: Choose a single frame of reference for answering all fifteen items (e.g., work-related conflicts, family conflicts, or social conflicts) and keep that frame of reference in mind when answering the items.

Allocate 10 points among the four alternative answers given for each of the fifteen items below.

Example: When the people I supervise become involved in a personal conflict, I usually:

Intervene to settle the dispute.	Call a meeting to talk over the problem.	Offer to help if I can.	Ignore the problem.
<u>3</u>	<u>6</u>	<u>1</u>	<u>0</u>

Be certain that your answers add up to 10.

1. When someone I care about is actively hostile toward me, i.e., yelling, threatening, abusive, etc., I tend to:

Respond in a hostile manner.	Try to persuade the person to give up his/her actively hostile behavior.	Stay and listen as long as possible.	Walk away.
_____	_____	_____	_____

2. When someone who is relatively unimportant to me is actively hostile toward me, i.e., yelling, threatening, abusive, etc., I tend to:

Respond in a hostile manner.	Try to persuade the person to give up his/her actively hostile behavior.	Stay and listen as long as possible.	Walk away.
_____	_____	_____	_____

20
15
10
5

3. When I observe people in conflicts in which anger, threats, hostility, and strong opinions are present, I tend to:

Become involved and take a position.

Attempt to mediate.

Observe to see what happens.

Leave as quickly as possible.

4. When I perceive another person as meeting his/her needs at my expense, I am apt to:

Work to do anything I can to change that person.

Rely on persuasion and "facts" when attempting to have that person change.

Work hard at changing how I relate to that person.

Accept the situation as it is.

5. When involved in an interpersonal dispute, my general pattern is to:

Draw the other person into seeing the problem as I do.

Examine the issues between us as logically as possible.

Look hard for a workable compromise.

Let time take its course and let the problem work itself out.

6. The quality that I value the most in dealing with conflict would be:

Emotional strength and security.

Intelligence.

Love and openness.

Patience.

7. Following a serious altercation with someone I care for deeply, I:

Strongly desire to go back and settle things my way.

Want to go back and work it out—whatever give-and-take is necessary.

Worry about it a lot but not plan to initiate further contact.

Let it lie and not plan to initiate further contact.

8. When I see a serious conflict developing between two people I care about, I tend to:

Express my disappointment that this had to happen.

Attempt to persuade them to resolve their differences.

Watch to see what develops.

Leave the scene.

9. When I see a serious conflict developing between two people who are relatively unimportant to me, I tend to:

Express my disappointment that this had to happen.

Attempt to persuade them to resolve their differences.

Watch to see what develops.

Leave the scene.

10. The feedback that I receive from most people about how I behave when faced with conflict and opposition indicates that I:

Try hard to get my way.

Try to work out differences cooperatively.

Am easygoing and take a soft or conciliatory position.

Usually avoid the conflict.

11. When communicating with someone with whom I am having a serious conflict, I:

Try to overpower the other person with my speech.

Talk a little bit more than I listen.

Am an active listener (feeding back words and feelings).

Am a passive listener (agreeing and apologizing).

12. When involved in an unpleasant conflict, I:

Use humor with the other party.

Make an occasional quip or joke about the situation or the relationship.

Relate humor only to myself.

Suppress all attempts at humor.

When someone does something that irritates me (e.g., smokes in a nonsmoking area or crowds in line in front of me), my tendency in communicating with the offending person is to:

Insist that the person look me in the eye.

Look the person directly in the eye and maintain eye contact.

Maintain intermittent eye contact.

Avoid looking directly at the person.

Stand close and make physical contact.

Use my hands and body to illustrate my points.

Stand close to the person without touching him or her.

Stand back and keep my hands to myself.

Use strong, direct language and tell the person to stop.

Try to persuade the person to stop.

Talk gently and tell the person what my feelings are.

Say and do nothing.

CONFLICT-MANAGEMENT STYLE SURVEY SCORING AND INTERPRETATION SHEET

Instructions: When you have completed all fifteen items, add your scores vertically, resulting in four column totals. Put these on the blanks below.

Totals:

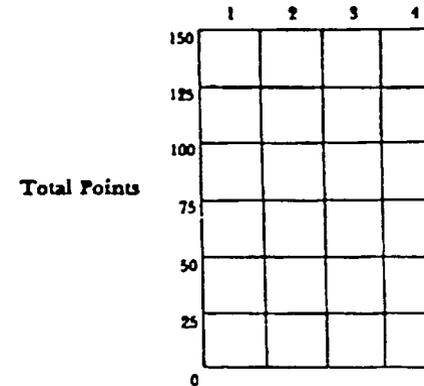
Column 1

Column 2

Column 3

Column 4

Using your total scores in each column, fill in the bar graph below.



Column 1. Aggressive/Confrontive. High scores indicate a tendency toward "taking the bull by the horns" and a strong need to control situations and/or people. Those who use this style are often directive and judgmental.

Column 2. Assertive/Persuasive. High scores indicate a tendency to stand up for oneself without being pushy, a proactive approach to conflict, and a willingness to collaborate. People who use this style depend heavily on their verbal skills.

Column 3. Observant/Introspective. High scores indicate a tendency to observe others and examine oneself analytically in response to conflict situations as well as a need to adopt counseling and listening modes of behavior. Those who use this style are likely to be cooperative, even conciliatory.

Column 4. Avoiding/Reactive. High scores indicate a tendency toward passivity or withdrawal in conflict situations and a need to avoid confrontation. Those who use this style are usually accepting and patient, often suppressing their strong feelings.

Now total your scores for Columns 1 and 2 and Columns 3 and 4.

Column 1 + Column 2 = _____ ^{Score} A Column 3 + Column 4 = _____ ^{Score} B

If Score A is significantly higher than Score B (25 points or more), it may indicate a tendency toward aggressive/assertive conflict management. A significantly higher B score signals a more conciliatory approach.

Theory X

1. The average human being has an inherent dislike for work and will avoid it if he can.
2. Because of this human characteristic of dislike for work, most people must be coerced, controlled, directed, or threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

Theory Y

1. The expenditure of physical and mental effort at work is as natural as play or rest.
2. Human beings will exercise self-control in the service of objectives to which they are committed.
3. The most important rewards are those that satisfy needs for self-respect and personal improvement.
4. The average human being earns, under proper conditions, not only to accept but to seek responsibility.
5. There is a high degree of imagination, ingenuity, and creativity for the solution of organizational problems distributed in the population.
6. Under the conditions of modern industrial life, the intellectual potential of the average human being is only partially utilized.

a ✓

Beside each statement, place an ~~X~~ in the column that most accurately describes your own situation. Be sure to make one choice for each of the statements listed.

	Usually	Often	Sometimes	Seldom
1. Since I carry the responsibility, my subordinates must accept my decisions..				
2. I encourage my employees to meet on their own and to take independent action.				
3. I monitor my subordinates every day or so to see if they are doing the work as assigned.				
4. I believe that my subordinates must be given the opportunity to make mistakes.				
5. I make sure that my subordinates' major workload is planned for them.				
6. My subordinates show self-control and self-direction and are not heavily dependent on me for supervision.				
7. I supervise my subordinates closely in order to get a better workload from them.				
8. Employees want to assume more responsibility and should be given the opportunity.				
9. My position carries authority which I need in order to get my subordinates to do things.				
10. My subordinates regard me more as a coach and a helper than as a boss.				
11. I have to step in and do the work when I see that an employee isn't getting the job done on time.				
12. I stand behind the spontaneous but unauthorized decisions made by my subordinates.				
13. I set up controls and lean on people when necessary to assure that my subordinates get the job done.				
14. My people are committed to the projects I supervise and require little direction from me.				
15. I provide my subordinates with activities that will help me to meet my goals and standards.				

MHD

Beside each statement, place an X in the column that most accurately describes your own situation. Be sure to make one choice for each of the statements listed.

	Usually	Often	Sometimes	Seldom
16. If I am absent for several days, my employees go about their work just as if I were there.				
17. It's important to get an employee's goals in writing so that he/she can't cop out or plead ignorance later.				
18. When I give assignments, I let my employees know that I'm sure they can do a good job.				
19. When people don't do what they are supposed to, there is a need for better controls and discipline.				
20. Employees who know what is expected will work hard, give their best effort, and not just try to get by.				
21. Getting the work done correctly and on schedule must take priority over the personal needs of workers.				
22. A good supervisor will take a strong interest in the personal side of each employee - family, hobbies, goals etc.				
23. Coffee breaks and lunch periods must be closely controlled or they become a major source of lost time and productivity.				
24. People want to work. Even if they didn't need the money, people would work.				
25. Employees are much more interested in what is expected of them rather than in knowing management's reasons why.				
26. I spend a sizable portion of my day with employees - getting their views and building them into my decisions.				
27. Most employees want to be led. They are dependent by nature and need to be told what to do and how.				
28. Employees who are encouraged to set their own goals will set them higher than their bosses would have.				
29. Unsupervised employees will tend to slack off and not work as hard as when they are being watched.				
30. If you treat employees like kids, they'll behave that way. But treat them like adults, and they'll behave that way.				

M.H. 4

INSTRUCTIONS FOR SCORING

~~FOUR TO X~~

1. Place the number 3 over every ~~X~~ in the Usually column.

Place the number 2 over every ~~X~~ in the Often column.

Place the number 1 over every ~~X~~ in the Sometimes column.

Place the number 0 over every ~~X~~ in the Seldom column.

2. Add up the scores for all the odd-numbered items. This can best be done by circling the score for each odd-numbered item. Then add up each circled score (there will be 15 numbers to be added). This total represents your Theory X score.

Enter your Theory X score here: ~~15~~

3. Now add up the scores for all the even-numbered items. This can best be done by adding all the circled numbers (again, there will be 15 numbers to be added). This total represents your Theory Y score.

Enter your Theory Y score here: ~~15~~

Slide Only

M.H.5

IRINA VL. LABUTOVA
Genkinoy st., 41-36
603105 Nizhny Novgorod
RUSSIA
tel. (8312) 35 71 00.

Educational Background:

- the Institute of foreign languages, Nizhny Novgorod
- the Pedagogical State University, Moscow
- the State University, Moscow

diploma, 1970
teacher of English
as a foreign language
candidate of
science degree
educational psychology, 1991
teacher training
instructor certificate, 1991

Experience:

9/91 - present the Nizhny Novgorod Linguistic University
Head of the Chair of foreign languages
of the Post-Graduate Dept., associate professor

Courses taught:

- Personal-professional development of an English teacher
- Emancipated teacher (I'm OK, you're OK)
- Theory of Suggestopedia (accelerated learning)
- Drama techniques in Language Learning
- Intensive Course of everyday English

9/74 - 9/91 the Nizhny Novgorod Pedagogical University
assistant professor

11/74 - 6/80 the Nizhny Novgorod Municipal Courses
of English for adult learners,
teacher of English

Academic background:

the Moscow University, department of psychology,
diploma, 1977

the Moscow University, department of psychology
Candidate of Science Degree
(General Psychology), 1986

the Intensive Teaching Methods Centre in
Moscow University -
teacher training instructor,
certificate, 1991.

Experience:

- lecturer in psychology - since 1977
- teacher trainer in educational psychology -
- since 1985
- practising consultant, leader of various group
development and personal growth courses - since 1985
- instructor in psychology of intensive learning -
since 1991