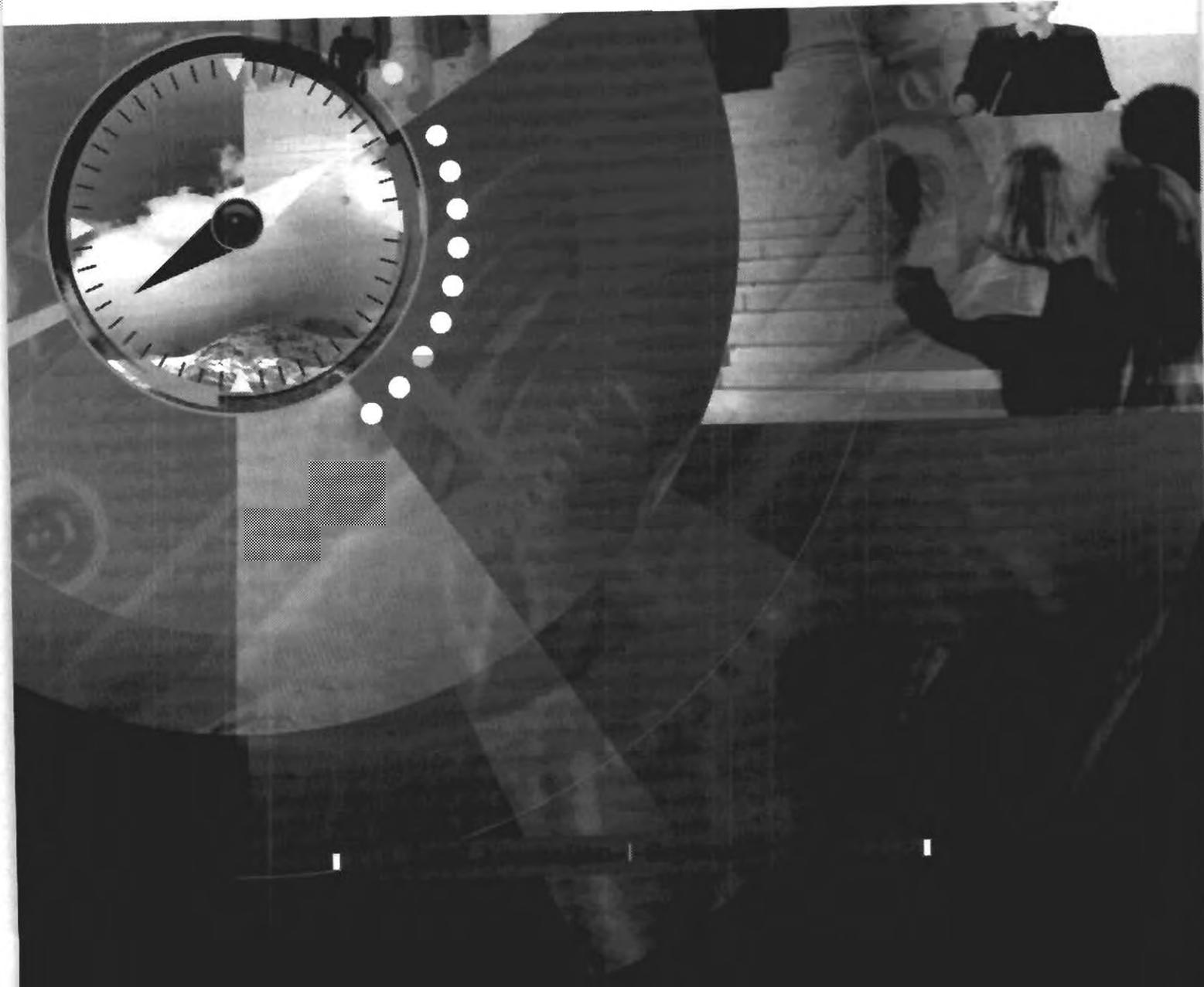


— PN-ADD-441 —



MANUAL





MANUAL FOR COUNCILORS IN AZERBAIJAN

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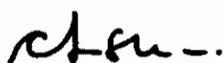
Foreword

It is with great pleasure that I have the opportunity to write a short foreword to the *IFES Manual for Councilors in Azerbaijan*. This comprehensive document is produced as a result of much hard work by our Local Government Team in Baku.

IFES has been working closely with nine municipalities since early 2002. Nine out of 2667 municipalities is a small number but we believe we have made a difference to the way these councils function. Some of the information contained in this manual has been tried and tested on the IFES municipalities - citizen participation, strategic planning, budgeting and service delivery for example. The direct result has been that citizens become more engaged and interested in the work of their municipality and the councilors function better with much needed information being available, sometimes for the first time.

This experience has led us to produce this manual which we hope will be of great value to all municipalities in Azerbaijan.

Sincerely,



Charles Lasham
Project Director
IFES Azerbaijan

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1. INTRODUCTION

a. About IFES

Founded in 1987, IFES is a private, non-profit, non-partisan organization providing needs-based assistance for election administration and sustainable democracy building. IFES also serves as a clearinghouse for information and resources on elections worldwide. Headquartered in Washington, DC with over 20 field offices throughout the world and experience working in over 120 countries, IFES offers vast country-specific experience in democratic institutional development, including election administration, good governance, rule of law, civic society, conflict resolution, applied research, gender issues, and public information technology.

Since 1995, IFES has assisted democratic reform in Azerbaijan by doing the following:

- **Strengthening the electoral processes through municipal, parliamentary, and presidential elections by working with legal and regulatory drafters, election administration structures, and the judiciary;**
- **Increasing the capacity of local self-government bodies by assisting municipalities to develop the necessary structures and skills to listen to the needs of citizens and respond to these needs, either directly, or through advocacy to national government bodies; and**
- **Enhancing the role of citizens in building a democratic society by giving them resources and civic education aimed at making sure that their voices are heard, particularly in their municipalities and through the electoral process, and that government institutions do indeed meet their needs.**

b. Local Governance Program

From April 2002 until September 2003 IFES Local Government Program was providing consulting-style services and training to selected municipalities in Azerbaijan. The goal of this cooperation was to create model municipalities, which understand their role and are on the path to providing adequate services to the population. Main issues to be addressed include communication within the municipality, outreach to constituents; management structure, service provision; laws affecting the work of municipalities and the role of local government. The project activities were designed to encourage improved organizational management by giving municipal councils and election officials valuable information about their roles vis-à-vis the people they serve. IFES has also been increasing the skill set and professionalism of select municipal councils and election bodies by providing technical assistance, curriculum development and training, and professional development.

Since we believe that no level of government can be effective without the understanding and participation of the citizens, our Local Governance and Civic Education Programs were working together in the municipalities. IFES Civic Education Program was working to provide citizens with information to enable them to become active citizens and play an active role in improving their lives and to increase their awareness, as well as to provide them with objective and accurate information about local self-governance.

IFES has been implementing projects and activities in four main areas:

- Training and Professional Development of Select Municipal Councils
- Publications to Clarify the Role of Municipalities
- Municipal Legal Reformation
- Networking of the Municipalities

c. Municipal Capacity Development

Launching its direct capacity development initiatives with municipalities in 2002, IFES held constructive dialogue with municipal councils interested in establishing meaningful, collaborative relationships based on mutual respect and a common desire to promote effective local democracy. IFES conducted regular consultations with members of municipal councils to assess the organizational and administrative structures of municipal councils, as well as the specific needs and interests to be addressed by IFES through its capacity-building training. Mindful of the fact that each municipality has different needs and priorities, the IFES approach was flexible in order to provide the most appropriate and affective assistance.

2. FRAMEWORK OF MUNICIPAL GOVERNANCE IN AZERBAIJAN

a. Emergence of local governance in Azerbaijan

Since independence, the primary strategic objective of the Republic of Azerbaijan is the establishment of a legal state and open civil society. Most major legislation incorporates this principle from the Constitutional Act on the Independence of the Republic of Azerbaijan (adopted October 18, 1991) to the Constitution itself.

One of the most urgent tasks faced by the country in the ongoing process of democratization is the development of a system of local self-government. No precedent for a comprehensive system of local self-government can be found in Azeri history, although different elements have existed at various points. Under the Soviet Union, local government was exercised solely through local councils of people's deputies' executive committees as part of state administration.

The newly adopted Constitution of Azerbaijan, effective November 27, 1995, is the primary basis for the establishment of local government. Not only does the Constitution uphold decentralization of State authority, it specifically enumerates standards of local self-governance. The fourth section of the Constitution, also called the "Transitional Provisions," addresses the issue of local self-government in particular detail. Article 6 of the Provisions annulled the authority of the local councils of people's deputies, while article 7 stipulated that laws on local self-government be introduced and municipal elections held within a period of two years.

The institution of local self-governance in Azerbaijan was not established until the end of 1999, rather than the 1997 deadline cited in the Constitution. The official explanation for the delay stated that the population was not ready and professional experience in local government was insufficient. In the view of independent experts, however, the delay was caused by the reluctance of former local authorities to transfer functions and relinquish centralized systems of control.

In 1995, the Milli Majlis (the Parliament of Azerbaijan) created a Parliamentary Permanent Commission on Local Self-governance (renamed "On Regional Affairs" in 2000) to prepare a package of relevant laws. Since 1995, the Milli Majlis of the Republic of Azerbaijan has passed seventeen laws and statutes that make up the legal basis of municipal government. The commission remains active drafting legislation to regulate activities of local self-government bodies.

In July 1999, the Milli Majlis enacted laws on Rules for Elections to Municipalities and on the Status of Municipalities. The first municipal elections in Azerbaijan's history took place on December 12, 1999, and the newly elected local government officials commenced activity in January 2000.

b. Current State of Local Governance

Since 1999, the Milli Majlis of the Republic of Azerbaijan has passed municipal laws and regulations that establish functions, responsibilities, activities, territories, property, and income sources of municipalities. Since municipalities were legally

established three years ago, all municipalities adopted a Charter of Municipality registered by the Ministry of Justice. The Charter establishes permanent and other commissions and creates the executive apparatus of municipality. The charter also regulates issues such as the composition and borders of the municipality as determined by law, the formation of local municipal bodies, responsibilities of municipal bodies and their officials, and the terms and regulations for organizing municipal services.

The current legislation, however, is insufficient and contradictory. According to the European Charter on Local Self-Government, municipalities should be included in the structure of the State. Because local self-government is not incorporated into the State system, the powers of municipalities are unclear. Azerbaijan's "mixed" local government system ensures a division of powers between the State executive authorities and municipalities. Both governing systems are assigned similar responsibilities by the State. This situation guarantees confusion.

Unfortunately, the majority of municipalities do not have an exact map of municipal territories. The central State sold, privatized, or contracted long term leases to the executive authorities as well as the majority of the land intended for transfer to municipalities. Citizens also occupied a portion of the land prior to the legal establishment of local government. A number of municipalities are challenging the ownership of this land in court. Thus, there is a contradiction between the map and reality.

The status of municipal property is similar to the land situation. The majority of municipalities have not received a list of municipal property, and many do not own a municipal office building. Property to be transferred to municipalities was sold or privatized, and property designated for municipalities is very limited. Another problem is the cumbersome procedure required to transfer property to municipal ownership. Several State institutions must approve the transfer.

Lack of awareness by municipal councilors and citizens of the issues associated with the "mixed" local government system causes further problems. A number of municipalities face problems due to a lack of professional experience and knowledge. This is especially apparent in rural and village municipalities that have very limited access to information and are not immediately aware of new legislation. In addition, municipalities do not know how to relate to citizens. Improper communication ensures that citizens retain their historical doubts and distrust of local self-government, which hinders interest in participation in local self-government.

Municipalities also face limited income sources. Adopting a realistic budget is constrained by the inability to collect municipal taxes previously approved by State legislation. Lack of adequate funding also prevents all but a few large municipalities from investing in profitable enterprises or businesses that can increase their financial resources. Although State legislation mandates an annual municipal subsidy from the State budget, local governments do not receive the subsidy allocated in the previous year until the upcoming year. Another difficulty is that municipalities either lack the expertise to write funding proposals to International organizations or access to information about such organizations or grants are unavailable.

Municipalities do implement a number of programs to clean streets, plant trees and bushes, and render financial assistance for some public services to the poor and orphans. Some municipalities have created municipal enterprises such as furniture and tombstone workshops or Internet cafes and operate them successfully.

c. Structure of Municipalities

The structure of the municipality is determined by the Charter of Municipality, which must be registered at the Ministry of Justice. The structure of the municipality includes the following:

- Chairperson or deputy chairperson(s), if necessary, are elected by municipal councilors.
- Executive apparatus of the municipality reports to the council.
- Permanent or ad hoc commissions are established to assist the council to resolve important local issues and reports to the council.
- Other municipal bodies and officials may be established.

Municipal Council

The municipal council consists of elected municipal members, the number of which varies from 5 to 19, depending on the population of the municipality. The municipal council plays a central role in the local decision making process and:

- Holds monthly meetings to discuss community concerns and, by majority vote, decides which issue to address.
- Passes municipal regulations.
- Establishes local taxes and duties.
- Adopts the local budget and reports on its performance.
- Approves local programs for social protection, social and economic development and environmental protection, designed by permanent commissions.
- Elects a chairperson from the council members.

Municipal council sessions must be convened at least once per month by the chairman or at the request of either one-third of all council members or at least ten percent of the local population. Decisions passed in council session are valid if a majority of council members is present and are effective in the territory of the given municipality.

Decisions related to local taxes must be passed by a two-thirds majority of all council members; all other decisions are adopted by a simple majority vote. Council meetings are open to the public, and minutes of the meeting are required and are available to all citizens residing within the municipality.

Chairperson

The chairperson and a deputy chairperson (if councilors decide the position is necessary) are elected by majority vote from the membership of council by open or secret ballot during the first meeting of newly elected councilors.

The chairperson is the head of the municipal office and manages the activities of the municipal council. According to legislation and the charter of municipality the chairperson:

- Manages the municipality's daily operations.
- Issues orders and instructions.
- Signs municipal resolutions.
- Appoints heads of municipal agencies based on local council decisions.
- Manages the implementation of local council decisions.

The deputy chairperson assumes the chairperson's responsibilities when the latter is absent. The chairperson can also assign the supervision of certain commissions to the deputy.

Municipal Councilor

Municipal councilor is an elected member whose term of office is 5 years. He/she regularly meets with constituents, becomes familiar with community needs, concerns and complaints, and raises these issues during council meetings. The councilor also reports to constituents not less than once every 6 months. He/she is involved in the development of municipal programs, the preparation of draft resolutions to be discussed at council meetings, and the resolution of important local issues. A municipal councilor can become a member of one or more permanent or other commissions of the municipality, obtain information regarding municipal activities, use local mass media, and, request information from the local executive authorities regarding important local issues.

Permanent and other Commissions

Municipalities establish permanent or ad hoc commissions to examine, address and assist in the implementation of municipal decisions, and to control the functioning of municipal enterprises and organizations. Permanent commissions of a municipality focus on particular areas such as:

- Local budget issues
- Local social issues
- Local ecological issues
- Local economic development issues
- Legal issues

If there is an additional need (because of a natural disaster, for example), the municipality can create other commissions as well. These commissions prepare programs on local social protection and social development, ecology, economic development, and local services. The programs are submitted to the municipal council and the public for discussion. Commission members can be a mix of municipal councilors, external experts, and citizens. Municipal ad hoc commissions can also be created for a short period of time if sudden or unexpected events happen, such as a flood or other natural disaster.

Municipal permanent or other commissions:

- Develop programs for social protection, local ecology, economic development and local services.

- Discuss local issues and prepare information, draft resolutions and other materials for discussion at council sessions.
- Prepare proposals for the municipality and its executive apparatus.
- Assist in implementing and monitoring program performance to meet citizen needs.

All commissions must report regularly to the municipal council.

Executive Apparatus of the Municipality

The Executive Apparatus of the Municipality is the executive body of the municipality. The executive apparatus consists of the chairperson of the municipality and representatives of departments and other executive structures such as tax collection and municipal enterprises. The chairperson manages the activity of the executive apparatus and appoints the heads of the executive structures. In general, the executive apparatus is subordinate to the municipal council. Direct daily management of the municipality is the responsibility of the chairperson.

The executive apparatus of the municipality has the following responsibilities:

- To prepare draft budgets, plans, programs and resolutions for submission to the municipal council.
- To implement the mandates and decisions of the municipal council.
- To manage municipal property and other property transferred for municipal use.
- To perform technical inventories of municipal property.

The structure of the executive apparatus is determined according to the size of the municipal territory. For example, a city or town municipality has a number of specialized departments responsible for municipal functions. Villages, however, operate with one or two departments for all functions. The executive office may be divided into agencies, departments or other units for different fields such as social security, social or economic development and the environment. Personnel hired to implement these programs may include agency heads and deputies, experts, inspectors, tax collectors and other employees. The employees of a municipality (municipal officials) are full-time paid professionals and are classified in the same legal category as municipal councilors. Municipal officials are not directly subordinate to elected municipal bodies and may not be dismissed upon the expiration of the council mandate. Based on local council decisions, the executive apparatus may establish institutions and enterprises and monitor their operation. These organizations are legal and function according to legislation, municipal charter and municipal resolutions. For example, city or town municipalities establish various enterprises such as construction, public transport, and cleaning.

d. Municipal Programs

Municipalities offer programs and services that are not covered by the State. These programs should respond to specific local community needs and expectations and may include:

- Local social protection and social development programs to resolve important local issues in the areas of education, health, culture, local infrastructure and roads, celebratory events, communication services, maintenance of cultural facilities, assistance to old, poor and sick people, and children with no parents.
- Local economic development programs to resolve important local economic issues in areas such as agriculture, industry, communication and transport.
- Local ecological programs to raise awareness of and resolve environmental issues and problems. These programs can include maintaining the ecological balance in the local area, cleaning and improving the territory of the municipality, collecting and recycling waste materials, and protecting water, air and land from pollution.
- Local cultural programs.

In theory, municipalities have extensive authority to provide public services. According to legislation, they may adopt programs and create municipal entities to implement them. Municipalities have complete autonomy to determine the method of public service delivery. Due to insufficient funding, municipalities, in practice, render few public services.

e. Economic basis of municipality

The municipality has the right of ownership of its "own" property that can be used and managed independently. Municipalities have the right to assign municipal property and its buildings to physical and legal entities for permanent or temporary use. The municipality may lease these properties, privatize municipal property, and define terms of usage of privatized and utilized property in agreements and contracts.

The local budget is derived from local taxes and payments, allocations from the state budget in the form of a subsidy, municipal properties (including land), municipal enterprises and organizations.

f. Local budget

Municipalities independently draft, adopt, implement, and monitor local budgets. Local budgets are separate from the state budget, but municipalities must report to the central government statistical bodies on local budget implementation. Annually, municipalities approve budget implementation reports and inform the local population as required by the municipal charter.

A local budget includes:

- Local taxes and payments (for example, land and property taxes from physical entities, mining taxes, payment for advertisement, resort and hotel duties).

Municipalities have the authority to select the number of local taxes and duties and decide upon their rates within the list of taxes and duties enumerated in the Law on Municipal Finance. Local residents may also decide to create an ad hoc local public fund, either by local referendum or at citizens' assemblies, for the purpose of resolution of local problems. Relevant municipal

agencies are responsible for collecting municipal taxes such as citizens' property tax, municipal land tax, and other taxes as may be established by municipalities for municipal citizens and organizations operating in municipal territory.

- **Grants, subsidies, transfer payments.**
State bodies decide local budgets sufficient to implement the normal responsibilities of the municipality by approving payment of the income resources necessary for covering the expenses of local budgets. Income requirements for local municipal budgets are deliberated annually during the adoption of the State budget of Azerbaijan.
- Funds from privatization, lease of municipal property, local lotteries, advertisements.
- Profit taxes from enterprises and organizations owned by the municipality.
- Other funds created as the result of municipal activity.

Municipalities have autonomy over budget expenditures as well as revenues. Local budget expenditures include:

- Operating expenses.
- Maintenance of social, housing, cultural and sports establishments.
- Maintenance of public streets, parks and squares.
- Funding municipal programs.

g. Internal procedures

Local councils play a central role in the local decision-making process. The chairman, commissions and heads of municipal agencies are empowered to decide local issues within the framework of their authority. The local council approves all major decisions and passes municipal regulations, establishes local taxes and duties, adopts the local budget, reports on its performance, and approves local programs for social protection, social and economic development and environmental protection, among others. Decisions related to local tax issues must be passed by a two-thirds majority of council members. All other decisions are adopted by a simple majority vote.

The executive branch is charged with implementing local council decisions. In order to fulfill its obligations, the executive apparatus may adopt appropriate decisions within its authority. Heads of municipal divisions may issue orders, instructions or other documents of an administrative nature, as defined by municipal charter.

3. LEGAL AND REGULATORY FRAMEWORK

Azerbaijani legislation is fairly comprehensive and often difficult to navigate. Although basic laws are issued by the Milli Majlis of the Azerbaijan Republic and decrees from the President of the Azerbaijan Republic, more procedural issues are established and governed by sub-legal acts (legal-normative acts) issued by the executive bodies, such as the Cabinet of Ministers, Ministers and State Commissions and Departments. As a result, special legal skills are needed to locate certain legislation and/or regulations.

This legal guideline will assist municipal councils to find basic laws and regulations that are necessary to lawfully conduct a number of municipal activities. The guideline does not, however, offer legal advice.

The legal guideline covers basic citations that affect municipalities and consists of three sections:

(1) economy; (2) social; and (3) environment.

a. Economy

Civil Code

The civil code is the primary legislation governing all property, non-property and transaction related issues. This includes:

- (1) Legal entities and individuals such as status, forms, rights and obligations of partners (founders);
- (2) Property rights such as the status of movable and immovable property (sale, purchase, lease, leasing, mortgage, pledge) and any other ownership related transactions;
- (3) Terms such as statute of limitations, terms calculation;
- (4) Contractual terms such as obligations, debts, claims, and conditions;
- (5) Transactions such as sale, purchase, barter, grant, lease, commissioning, franchising, transportation, storage, construction, services, banking, insurance, securities, tender and gambling;
- (6) Violations such as breaches of obligations, damages and their definitions, indemnification; and
- (7) Inheritance (succession) rights.

1. Corporate Issues

Law of the Azerbaijan Republic No.850 On Joint-Stock Companies, July 12, 1994.

This law specifies the particularities of enterprises created as joint-stock companies. While some provisions of this law are now invalidated due to provisions in the Civil Code, it still remains one of the primary laws affecting legal entities. The law along with the Civil Code is useful when opening and managing a joint-stock company.

Law of the Azerbaijan Republic No.605-IQ On Limited Liability Company, December 29, 1998.

This law specifies particularities of the establishment and functions of limited liability companies (LTD). Adopted recently, the law's provisions are in compliance with the Civil Code. Both laws can be helpful to open and manage a limited liability company.

Law of the Azerbaijan Republic No. 523 On Securities, July 14, 1998.

This law specifies issuing and transactions of securities. With the Civil Code and the Law On Joint Stock Companies, this law is helpful with dealing with securities.

Law of the Azerbaijan Republic No.858 On Cooperating, Merging, Separating and Dissolution of Municipalities, October 21, 2000.

This law governs the joint activity of and cooperation between municipalities and the procedures for merging, separation and dissolution.

Specific laws do not always regulate various types of activities. However, types of activities do exist, such as banking and insurance that are regulated by particular laws. As a general rule, the primary law regulating various types of activities is the Civil Code. Additionally, the Law of the Azerbaijan Republic On Banking and the Law of the Azerbaijan Republic On Insurance may be significant to examine when conducting certain activities.

2. Services Rendering Issues

Regulations of the Cabinet of Ministers No.80 On Trading, Consumer and Other Sort of Services (Works) in the Azerbaijan Republic, April 15, 1998.

These regulations specify activities of all legal entities that conduct trade and certain services to the population regardless of their status and organizational form. The rules also specify requirements for the certification of certain goods and services rendered.

Rules for Placing of Municipal Orders, as approved by the President's Decree No.529 of July 2001.

The regulations specify basic bidding procedures for municipalities.

Law of the Azerbaijan Republic No.1049 On Unfair Competition, June 2, 1995.

This law denotes compulsory rules to conduct business activity in the Azerbaijan market. Provisions of this law are applicable to all organizations regardless of their status.

Law of the Azerbaijan Republic No.526 On Anti-Monopoly Activity, March 4, 1993.

This law governs State policy that prevents anti-monopoly activity in the Azerbaijan market. The law specifies monopoly criteria and measures to prevent it.

3. Land Issues

The Land Code

The land code is the primary law governing land related issues and transactions. The Code provides for the following:

- (1) Specifications and categories of all types of lands, such as urban, inhabited areas, transport, communication, agricultural, production, natural reserves, natural resources and other relevant types of land plots.

- (2) Establishing reserve funds for water and forestland or land reserve funds of the state, municipalities and private sector.
- (3) Land registration and maintenance.
- (4) Legal principles, authorities, and duties as well as restrictions or limitations of landowners or users, such as the State, municipalities, legal entities or individuals.
- (5) Legal basis for land related transactions.
- (6) Legal basis for land related quotations and pricing.
- (7) Dispute resolutions.

Understanding the Land Code, the Civil Code, and other relevant legislation are crucial when dealing with land issues.

Law of the Azerbaijan Republic No.587-IQ On Land Lease, December 11, 1998.

The land lease law is the legal basis to govern transactions related to the lease of lands plots owned by the state, municipalities and the private sector. This law, the Law On Management of Municipal Lands, and the Land Code will be helpful when leasing plots of land.

The Law of the Azerbaijan Republic No.665-IQ On Land Market, May 7, 1999.

The law provides rules and regulations for land transactions of the market.

Law of the Azerbaijan Republic No.771-IQ On Territories and Lands of Municipalities, December 7, 1999.

This primary law establishes the legal basis for municipal territories, their boundaries and other related issues.

Law of the Azerbaijan Republic No.160-IIQ On Management of Municipal Lands, August 9, 2001.

The law specifies municipal land plot issues such as sale, purchase, lease, and protection. With the Land Code, this law is useful when dealing with land plot related issues.

The Resolution of the Cabinet of Ministers No.226 On Minimum Amount of Rental Fees for Lands Owned by the State and Municipalities, October 21, 2000.

This regulation establishes compulsory quotations for both State and municipal owned land plots.

Regulations On Development and Agreement of Documents On Allocation of Municipal Lands, as approved by Law of the Azerbaijan Republic No.274-IIQ, March 15, 2002.

These regulations establish specific rules governing the transfer of ownership or lease or any other type of disposal of municipal land plots.

4. Water Issues

The Water Code

The Water Code is the law that governs water resources and facilities in Azerbaijan. The Code provides the legal basis for:

- (1) Specifications and categories of all types of water resources, such as transport, potable water, sewage, energy production, fishing, agricultural, production, natural reserves and other relevant types of water use.
- (2) Use and exploitation of water facilities.
- (3) Establishing reserve funds such as water or land reserve funds of the State, municipalities and the private sector.
- (4) Water registration and maintenance.
- (5) Legal principles and authorities and duties as well as restrictions or limitations of water resource owners or users, such as the state, municipalities, legal entities or individuals.
- (6) Water resource transactions.
- (7) Lands related quotations and pricing.
- (8) Dispute resolutions and others.

The Water Code and other relevant laws are important references when dealing with water reserves and facilities related issues.

Law of the Azerbaijan Republic No.159-IQ On Water Economy of Municipalities, June 29, 2001.

The law establishes the basis of and procedures for the use and protection of municipal water resources.

Law of the Azerbaijan Republic No.723-IQ On Water Supply and Sewage, October 28, 1999.

The law establishes the basis for water supply, specifications of drinking and production of water resources, and the rights and obligations of business and production units to supply drinking water and sewage system usage.

Regulations of the Cabinet of Ministers No.197 On Determination of Construction Areas of Enterprises, Buildings and Other Facilities Affecting Water Conditions, and Agreeing of Construction Projects, State Expertise and Submission for the Exploitation, September 28, 1998.

These regulations stipulate the rules and limitations applicable to construction procedures for the approval of particular construction projects.

Resolution of the Cabinet of Ministers No.206 On Approval of Certain Rules Concerning The Water Legislation, October 15, 1998.

The resolution includes Rules On Legitimizing the Use and Protection of Water Facilities, the Rules On Development and Implementation of Limitations on Water Use, Rules On Development and Agreement of State Expertise, Approving and Implementing Plans for Water Use Complexes and Protection of Water Resources, Rules On Approval of Plants Internal Economy Water Use, and the Common System of Plans for Water Use.

Regulations of the Cabinet of Ministers No.216 On Use of Water Facilities for Rest and Sports, October 22, 1998.

These rules address the allocation and use of water facilities necessary for entertainment and sports.

Regulations of the Cabinet of Ministers No.56 On Determination of Size, Boundaries and Use of Water Protected Zones and Coastal Protected Lines, March 24, 2000.

These rules set out the compulsory procedures to establish water-protected zones.

Regulations of the Cabinet of Ministers No.77 On Determination of Category of Special Protected Water Facilities, May 1, 2000.

These regulations enumerate the criteria to determine the status of water facilities for their protection.

Regulations of the Cabinet of Ministers No.82 On Use of Water Facilities for Fishing and Hunting Business, May 8, 2000.

These rules specify the basic issues and limitations of using water facilities for fishing and hunting.

5. Taxes, Accounting and Financial Control

The Tax Code governs taxation and reporting issues. While the Tax Code refers municipal tax issues to other legislation, it remains one of the main fiscal regulatory documents.

Law of the Azerbaijan Republic No.772-IQ On the Financial Base of Municipalities, December 7, 1999.

This law states the fundamentals of establishing the financial basis of municipalities.

Law of the Azerbaijan Republic No.244-IIQ On Local (Municipal) Taxes and Payments, December 27, 2001.

The law establishes and regulates taxation issues of municipal authorities.

Law of the Azerbaijan Republic No.998 On Accounting, March 24, 1995.

The law establishes the basic requirements to maintain proper accounting procedures by legal entities and organizations regardless of legal status.

Chart of Accounts as approved by the Resolution of the Ministry of Finance No.A-94, October 20, 1995.

The document enumerates the transaction codes necessary to record and maintain data in accounting documents concerning transactions and capital movement of legal entities and organizations regardless of their legal status.

Regulations of the Cabinet of Ministers No.3 On Registering Indicators of Financial and Economy Activities of Municipal Owned Enterprises and Organizations, January 12, 2000.

These rules establish the terms of compulsory reporting and the criteria for providing specific information by municipal legal entities.

Law of the Azerbaijan Republic No.910 On Currency Regulation, October 21, 1994.

The law establishes the principles of foreign currency circulation in the Republic of Azerbaijan and is applicable to all legal entities and organizations regardless of their legal status.

Rules for Regimes of Currency Accounts of Residents and Non-Residents in Banks of the Azerbaijan Republic, as approved by the Resolution of the National Bank of the Azerbaijan Republic No.05/gB-636 a, July 25, 1997.

These rules are the primary regulations to maintain bank accounts and conduct transactions in foreign currency. Regardless of the legal and tax status of organizations, provisions set forth in these rules are obligatory to all organizations operating in Azerbaijan.

Law of the Azerbaijan Republic No.483-IQ On Grants, April 17, 1998.

The law specifies the rules regarding awarding of grants as well as the status of organizations or individuals applying for and receiving grants.

b. Social

1. Employment and Social Security Issues

The **Labor Code** is the primary law governing labor relations in organizations. The Code enumerates a large number of collective and individual employment agreements, working and rest hours, labor safety and protection, labor guarantees for employees such as vacations and norms of labor, procedures for payment of salaries, labor disciplines, material damages, labor disputes and others. Knowledge of the code is necessary when dealing with employment issues.

Resolution of the Cabinet of Ministers No.126 On Approval of Rules for Payments Upon Calculation of Salaries, July 15, 2000.

The rules set out the compulsory procedures to calculate average salaries.

Law of the Azerbaijan Republic No.305 On Pension Provisions for Citizens, September 23, 1992.

The law regulates conditions of pension guarantees, categories of pension subjects and others.

Instruction of the Ministry of Labor and Social Protection of Population, as registered with the Ministry of Justice No.37 On Rules for Payment from Organizations and Enterprises to Employees for Illness and Work-related Injuries and to Employees' Families upon Death for the above reasons. March 6, 1997. These rules are obligatory for employers.

Rules On Procedures for Calculating of Payments In Connection with Vacations and Indexation of Average Salaries During Vacation, as approved by the Resolution of the Cabinet of Ministers No.137, August 25, 1999.

These rules are compulsory for accounting departments of organizations and enterprises.

Law of the Azerbaijan Republic No.250-IQ On Social Insurance, February 18, 1997.

This law establishes the social security to be provided by all organizations and enterprises to their employees.

Law of the Azerbaijan Republic No.725-IQ On Medical Insurance, October 28, 1999.

This law specifies compulsory medical insurance for employees in organizations and enterprises.

Law of the Azerbaijan Republic No.40 On Compulsory Payments to the Employment Fund, December 31, 1991.

Although the obligation to contribute to the employment fund was eliminated, reporting remains compulsory.

Resolution of the Cabinet of Ministers No.58 On List of Compensations and Incomes Not Subject to Compulsory State Social Insurance, June 9, 1997.

These are the specific regulations necessary for accounting in enterprises and organizations.

2. Transportation

Law of the Azerbaijan Republic No.683-Q On Transport, June 11, 1999.

The law establishes the basis for rules to organize and operate transport and transportation activity as well as the status of legal entities and individuals engaged in this field.

Regulations of the Cabinet of Ministers No.10 On Transportation of Hazardous Cargos by Automobiles, January 27, 2000.

These rules enumerate the hazardous activities of cargo transportation by automobile.

Regulations of the Cabinet of Ministers No.75 On Transportation of Hazardous Cargos by Shipping, April 24, 2000.

These rules enumerate the hazardous activities of cargo transportation by shipping.

Regulations of the Cabinet of Ministers No.207 On Transportation of Hazardous Cargos by Rail, November 20, 2000.

These rules enumerate the hazardous activities of cargo transportation by rail.

Regulations of the Cabinet of Ministers No.220 On Transportation of Hazardous Cargos by Air, December 13, 2000.

These rules enumerate the hazardous activities of cargo transportation by air.

3. Construction and Urban Development

Law of the Azerbaijan Republic No.684-IQ On Urban Development, June 11, 1999.

This law establishes and specifies issues concerning the development of planning, design, and construction as well as re-building or redevelopment of facilities and buildings. The law also governs the development and engineering of populated areas, such as communal, transportation and relevant infrastructure facilities as well as the rights and obligations of bodies, organizations and legal entities regardless of their legal status.

Law of the Azerbaijan Republic No.778-IQ On Automobile Roads, December 22, 1999.

This law establishes the basis of and specifications for feasibility studies on construction, utilization, maintenance, and development of automobile roads as well as regulating the management of road infrastructure and the rights and obligations of relevant bodies and organizations.

Resolution of the Cabinet of Ministers No.120 On Approval of List of Urban Construction Funding from the State Budget, July 13, 2000.

The resolution enumerates the State urban development and construction programs, and planning and construction as well as issues regarding state construction registration, the General Plan, and others.

Regulations of the Cabinet of Ministers No.158 On Approval of Documents Related to Urban Construction, Procedures for Development and Agreement of State Expertise and Rules for State Control on Urban Construction Activity including Activities of Participants in the Construction Field, September 4, 2000.

These regulations establish necessary rules regarding construction.

Regulations of the Cabinet of Ministers No.160 On Rules of Agreement of Documents Related to Allocation of New Facilities, Re-Planning of Buildings, Facilities or Changing the Existing Facilities of Urban Construction between Creators (Designers) and Relevant Executive Authorities, September 4, 2000.

These rules specify procedures to resolve issues related to re-designing, re-planning, re-construction of construction facilities and buildings. The rules are applicable to all organizations regardless of their legal status.

Regulations of the Cabinet of Ministers No.159 On State Urban Register and Monitoring Facilities of Urban Development and Maintaining of Register Service, September 4, 2000.

The rules establish the unified system of urban development and State construction registry.

Resolution of the Cabinet of Ministers No.121 On Approval of List of Urban Development Programs and Procedures for their Consideration and Approval, July 13, 2000.

These rules specify the programs and procedures for construction of populated urban and village areas.

Law of the Azerbaijan Republic No.470-IQ On Protection of Historical and Cultural Monuments, April 10, 1998

This law establishes and specifies issues of safety and security of historical and cultural protected monuments, facilities and buildings, and rights of obligations of organizations and bodies responsible.

Law of the Azerbaijan Republic No.497-IQ On Architectural Activity, May 15, 1998.

The law governs the basis and specifications design and approval of architectural activities.

Regulations of the Cabinet of Ministers No.228 On Contracting Upon Construction Works, June 7, 1994.

These regulations establish the basis of and procedures for contracting during construction, establishing rights and obligations of parties in construction services contracts, and other specific issues.

Regulations of the Cabinet of Ministers No.1 On Providing the Subsoil Area with the Status of Mining Sector for the purpose of Extraction of Minerals, Construction and Utilization of Underground Facilities Not Connected with Extraction of Minerals, January 9, 1999.

These rules regulate the activities concerning subsoil and underground works.

Regulations of the Cabinet of Ministers No.16 On Examination and Testing Required Upon Projecting, Construction and Repair of Automobile Roads, February 7, 2000.

These rules are applicable for construction and maintenance of roads.

4. Health Care

Law of the Azerbaijan Republic No.189-IQ On Pharmaceutical Activity, November 5, 1996.

This law governs issues concerning the production, circulation, trading, importation and exportation of pharmaceutical goods and the operation of pharmacies.

Law of the Azerbaijan Republic No.789 On Private Medical Activity, December 30, 1999.

This law governs legal entities and organizations that provide medical services to the population and establishes certain criteria and obligations for them.

5. Tourism

Law of the Azerbaijan Republic No.674-IQ On Tourism, June 4, 1999.

This law governs state policy of the tourism market, the basis of activities related to tourism, and its resources and development.

6. Energy

Law of the Azerbaijan Republic No.541-IQ On Energy, November 24, 1998.

The law governs activities concerning the production and supply of energy and its products as well as the allocation, construction and maintenance of energy facilities.

Law of the Azerbaijan Republic No.94-IQ On Use of Energy Resources, May 30, 1996.

This law governs the use of energy resources between the State and public organizations, legal entities and individuals.

7. Housing Issues

The Housing Code is the primary law that governs housing and communal facilities, their use, and acquisition. Although the Code was adopted in March 1, 1983, most of its provisions have been amended since the independence of the Azerbaijan Republic. The provisions of the Code are, however, still applicable and legally in force. The Code does not make particular references to the municipal housing funds. However, most of the specified regulations are applicable and compulsory to municipalities as well. With other legislation, the Code will be helpful to municipalities when dealing with housing issues.

c. Environment

Law of the Azerbaijan Republic No.677-IQ On Ecological Safety, June 8, 1999.

This law specifies the basis of and requirements for ecological safety and is applicable to all legal entities, organizations, and their officials regardless of their legal status.

Law of the Azerbaijan Republic No.271-IQ On Compulsory Ecological Insurance, March 12, 2002.

This law governs obligatory liability insurance concerning damages to individuals, property and the environment from environmental contamination. The law is applicable to all legal entities regardless of their legal status.

Law of the Azerbaijan Republic No.678-IQ On Environmental Protection, June 8, 1999.

This law establishes the basis of environmental protection, the application of relevant measures, issues of ecological balance and rational use of natural resources, ecological expertise, and matters of examination as well as the relevant responsibilities and authorities of State and municipal bodies.

Law of the Azerbaijan Republic No. 272 On Obtaining Information On Environment, April 18, 2002

This law governs the basis of and procedures for the application for information on the environmental situation.

Law of the Azerbaijan Republic No.840-IQ On Special Protected Natural Territories and Facilities, March 24, 2000.

The law establishes the basis for the creation and protection of given territories and areas in the Azerbaijan Republic and enumerating the responsibilities and authorities of relevant bodies in this field.

Regulations of the Cabinet of Ministers No.40 On Provision of Information and Maintaining State Statistics in the Environment Field, February 22, 2001.

These specific rules regulate the basis for providing environmental information to citizens, organizations, State and municipal bodies, and other relevant

organizations and the responsibility of recording and maintaining environmental and ecological data.

Resolution of the Cabinet of Ministers No.26 On Classification of Restricted Information On Environment and Classification of State Bodies Receiving Inquires On Restricted Information On the Environment, February 15, 2003.

These rules regulate the circulation and dissemination of certain types of information related to the environment and ecology.

Regulations of the Cabinet of Ministers No.237 On Normative-Legal Acts Concerning Hydrometeorology and Environmental Monitoring, December 13, 1998.

These regulations include rules on the State Fund of the Azerbaijan Republic On Hydrometeorology and Hydrometeorology Observing, rules for the use and protection of Hydrometeorology Observance Networks, Instruction On Registering Data of Hydrometeorology and Environmental Monitoring and Their Certifications.

Regulations of the Cabinet of Ministers No.239 On Obligatory Compensations for Damages Incurred as a Result of Illegal Extractions of Natural Resources in the Azerbaijan Republic, December 28, 1998.

These rules specify the amount of indemnifications imposed on the illegal activity of legal entities or individuals that damage the environment and subsoil.

Regulations of the Cabinet of Ministers On Amounts of Compensations Payable for Use of Information of Hydrometeorology and the Environmental Monitoring, July 9, 1999.

These rules establish the amount of fees for organizations regardless of their status for the use of information related to the environment.

Resolution of the Cabinet of Ministers No.2 On Approval of Normative Legal Acts Related to Special Protected Natural Territories and Facilities in the Azerbaijan Republic, January 4, 2001.

The resolution specifies the natural territories in the Azerbaijan Republic, rules on state natural reserves, rules for maintaining state register, and monitoring special natural territories and facilities.

4. CITIZEN PARTICIPATION

a. Introduction

Modern democracy requires more than free elections. Citizens' participation in elections, their active involvement in local community affairs, and municipal local self-government authorities' willingness and capacity to reach out and strengthen relations with citizens are each core elements of good self-governance.

Citizens' participation is defined as the process by which citizens assume leadership roles along with their local government officials to make decisions and develop policies that directly affect the quality of daily life in their communities.

The ultimate goals of citizen participation at the local level are:

- **Involvement in local government decision-making by participating as equals in the decision-making process, voicing opinions, suggesting ideas and alternative proposals, objecting or supporting municipal proposals and decisions; and**
- **Involvement in local problem identification and problem solving concerning delivery of community services in such areas as education, transportation, social assistance, health, and culture.**

Participation may be formal or informal, direct or indirect; it may cover one, some, or all of the areas of decision-making. Participation also takes place at a number of levels. Levels are distinguished by the degree to which citizens have equal input into the decision-making and problem solving processes with municipal authorities. Partial participation exists when citizens can only influence decisions without equal power to decide the outcome. Full participation, on the other hand, occurs when citizens have equal power with municipal authorities to determine the outcome of decisions.

Municipal governments can encourage and support the following four levels of participation:

- **Informing citizens about municipal actions.**
- **Gathering and receiving information from citizens.**
- **Discussing municipal goals, policies, and services with citizens.**
- **Sharing local self-government decision-making with citizens.**

When the public participates in decision-making, its role is to provide input into the process, to assist local government to improve its response to local community needs, and to build a stronger social base for implementation. In turn, the accountability of municipal authorities is improved when the public attends and participates in open municipal meetings.

To be effective, responsible and accountable, local government should value the input of citizens as a resource in local decision-making processes. Long term strategic planning, budget development, economic development, and service delivery are more effective and credible when the needs and priorities of the public

are recognized and taken into account. Creating strong, two-way communication channels will help to ensure that public decisions regarding the well being of the municipality respect the ideas and input of its community stakeholders the citizens.

For example, a number of local problems are often better identified and more effectively dealt with by informal groups or NGOs. The members of the local community can also take the initiative to identify local problems or needs and develop effective methods of resolving them, usually with the participation of those directly involved. Informal groups or NGOs can provide social assistance programs that are usually administered by municipal authorities. An NGO may assume the responsibility for an agreed-upon service delivery or performance of specific tasks. Local government is the primary funder.

Citizen participation does not happen by itself. It must be encouraged. Lack of citizen actions and interest or poor attendance at public meetings or forums does not necessarily indicate the public's satisfaction with the municipality. Often, the typical citizen refrains from expressing either praise or dissatisfaction about local government. Nevertheless, citizens do care about the quality and cost of government services. In fact, when concerned or provoked, they can express themselves vociferously.

Citizen participation in local-self government has a long history and, in many countries, it is regarded as essential to building and sustaining local self-government. Some examples of how different countries inform and involve citizens in municipal service delivery and policy making include:

- Public information offices.
- Public-private partnerships.
- Public hearings.
- Citizen advisory committees, boards and commissions.

Although encouraging citizen awareness of and input into local government is important, the decision-making process is a key responsibility of municipal authorities. Citizens are also responsible. Citizens are increasingly interested to participate in roundtables, join advisory committees and boards, and share the discussion and decisions about community issues. Citizens are beginning to want to become partners with their elected officials and work towards constructive problem solving with a shared vision and common goals.

The primary reasons to support citizen initiatives are:

- To regard citizens as leaders who can share decision-making processes.
- To empower citizens to initiate problem solving.
- To invite them to become partners with local government.

b. Benefits of Citizen Participation

For municipal authorities, there are a number of benefits to encourage citizens to be actively involved in local government. Citizen participation can:

- Establish confidence and trust between local governments and citizens.

- **Ensure transparency in the governing process.**
- **Encourage citizens to learn about community problems and how they can work with local officials to solve them.**
- **Promote citizen "ownership" and trust in the solutions.**
- **Assist local government to identify the needs of the community more effectively and more rapidly.**
- **Encourage face-to-face debates so citizens and local officials can hear different views directly.**
- **Direct the community towards a responsible decision with political support.**
- **Work toward consensus rather than conflict on community issues and problems.**
- **Assist in the promotion, if needed, of new legal frameworks appropriate for new types of cooperation and partnership.**
- **Share decision-making responsibilities about public policy, services, and budget, economic, and strategic plan development.**
- **Encourage local government to solve the needs of all citizens before those with special interests.**
- **Offer much-needed community support for local government. This is especially important for emerging local self-governments that are not delegated sufficient power from the central government.**
- **Integrate public input into the policy-making process and ensure that the voices of all citizens (women, men, the elderly, youth, IDPs, the disabled) are heard, and their views are considered.**
- **Empower citizens to more fully understand the complexities of municipal issues.**

c. Levels of Citizen Participation

Encouraging citizen participation requires the willingness and capacity of municipal authorities to reach out to the community. It also demands the commitment to open local government by municipal authorities. This section will discuss the four key levels of citizen participation:

- **Informing citizens about municipal issues and services.**
- **Gathering information about citizen needs and priorities.**
- **Talking with citizens about problems, issues, and solutions.**
- **Sharing decision-making with citizens.**

d. Level 1 - Informing Citizens

The first level is to inform citizens about municipal issues and services. If local government wishes to encourage its citizens to participate in local self-government decisions, authorities must share information about local problems, municipal services and programs, and the methods used to solve problems and deliver services. When citizens are informed, they can develop a certain sense of propriety or "ownership" and can begin to assume various responsibilities for municipal actions. If accurately informed, citizens can help create a positive image of local government, its programs, and services.

An important first step for municipal authorities is to provide access to all public information about local government. Information can include:

- Available municipal services.
- Schedules of public services.
- Location of service and responsible person, department or authority.
- Responsibilities and duties of local government.
- Planned meetings of the local council.
- Policy and program decisions of the local government.
- Information about projects and programs and funding.
- Local government budget.
- Opportunities for advisory board and commission membership.

Local government authorities can also help to inform citizens about their right to participate and the responsibilities of municipal government to inform them. Designing and distributing a citizen participation brochure, for example, can go a long way to inform and encourage citizens who are unfamiliar with local self-government and opportunities to participate.

The Law on the Status of Municipalities in Azerbaijan offers guidance on specific rights to information, the right to appeal to municipal government, the right to attend meetings, equal delivery of services, and the right of referenda on public issues.

How to inform citizens: Methods for Municipal Authorities

1. Municipal Council Agendas

When to use: When the municipal council has official meetings to which the public is invited.

Description: A written agenda and public notices of meeting dates, time, and location of official council meeting.

Steps:

1. Publish the agenda in local newspaper(s) and post on the municipal information board at least three days in advance of meetings. All items to be included on the agenda must be received by the office that prepares the agenda for public distribution at least one week before the meeting.

2. **Number every agenda item and include all relevant information of interest to the public and council members. This includes the specific information needed for a decision by the council. Information includes the names of individuals, addresses of property, and amount of money for new contracts, and business names and addresses.**
3. **Distribute agenda to all council members, key department heads, news media, special interest groups, NGOs, libraries, public bulletin boards, citizen information centers, and other locations where public information is distributed.**
4. **Provide additional copies of the agenda at council meetings.**

2. Municipal Council Minutes

When to use: To record the official results of municipal council decisions.

Description: Agenda minutes contain the following information:

- **Date of meeting**
- **Persons in attendance**
- **Decisions made for each numbered item, including deferred items**
- **Voting record of each item that may include names of those voting yes, no, and abstentions**
- **Summary of council comments on each item**
- **Summary of citizen comments on each item**

Steps:

1. **Assign the job of recording the minutes to a designated municipal employee before the meeting. If possible, record the meeting by audiotape to verify the written record.**
2. **Review the minutes by a second person before releasing the "Draft Minutes."**
3. **Distribute the "Draft Minutes" to council members and make them available to the public.**
4. **Approve the minutes by vote at the next meeting of the council.**

3. Municipal Information: Catalogues, Fact Sheets, and Web Sites

To inform citizens about municipal services, the municipality can produce several kinds of publications and design and maintain a web site. Each can be produced relatively inexpensively and distributed throughout the community and/or made available at the front desk of the town hall and/or at municipal departments.

When to use: To inform the public about policies, finances, programs, and services.
To demonstrate that the municipality is open, helpful and interested in citizen comments.
To dispel misinformation and rumors.

Description: A number of documents, brochures, and pamphlets can be produced inexpensively and made available at the citizen information office and areas that are easily accessible to the public.

Examples: Catalogue of Municipal Services
Frequently Asked Questions Information Sheet
Program Fact Sheet
Municipal Budget
Website
Job Openings
Annual Strategic Plan
Citizen Opinion and Customer Service Survey Results

4. Frequently Asked Questions (FAQ)

When to Use: To provide answers to questions that citizen often ask about a particular program or service.

Description: A 1-3 page handout with factual information in question and answer format to inform the public about specific issues and concerns

Steps:

1. Find out what topics in which citizens are interested, misinformed about, and/or are causing the most concern.
2. Consult with the key official or commission head responsible for the issue. Ask for background information.
3. Begin the FAQ with a one-paragraph summary of the issue. Ask questions and provide answers to the primary areas of concern expressed by citizens. Ask the questions in the same language used by citizens so that they can recognize the question as "one of theirs".
4. Ensure that the key official or commission head approves the FAQ before it is distributed.

5. Catalogue of Municipal Services

When to use: To provide comprehensive information about services offered by the municipality to its citizens.

Description: A catalogue of services is an alphabetical listing of all municipal services. Each service is described in 1-3 sentences (1-2 lines of information) and includes the name of the department providing the service, a telephone number and, if available, email addresses where citizens can obtain further information.

Steps:

1. For each service, write a 2-3 sentence description about how a citizen may obtain the service (where, from whom, contact information).
2. List the services alphabetically. Each service should get at least one entry.
3. If necessary, an alternative description of the same service can be included.
4. Conduct a careful review of the information printed in the catalogue.
5. Test the information by giving it to a group of trusted citizens who will review for its usefulness.
6. Print and distribute.
7. Advertise the availability of the catalogue.

Example:

Catalogue of Municipal Services

Transportation Department

Director's Name

Location

Telephone Number

Activities: Responsible for all public transportation services such as buses, mini-vans. Includes maintenance, schedules, and coordination with private transportation companies.

Catalogue of Municipal Services

Buses: See Transportation Department

6. Program Fact Sheets

When to use: To provide information about individual programs offered to citizens or information about key departments that offer a variety of services. The fact sheet may provide more detailed information than the catalogue and can be distributed if there is a change in the catalogued service.

Description: A separate fact sheet can be developed about each basic service for which the municipality is responsible, such as municipal transport, waste removal, and potable water.

Steps:

1. Describe the service the department provides, including any maps, lists of fees and charges, and locations of district offices.
2. Include telephone numbers and emails, if possible, of key offices where citizens can ask for additional information or to complain.
3. Write a 1-2 page brochure describing the basic service offered by the department to provide information useful to citizens.
4. Ask the department to review and approve the draft brochure or fact sheet.
5. Distribute the brochure widely.

7. Municipal Web Site

When to use: When the municipality wishes to provide information about itself and the community over the Internet.

Description: A web site is located on the Internet, the worldwide system of shared electronic information. A web site allows individuals with computer access to the Internet to obtain electronic information about the municipality. A web site also allows the municipality to provide access to other information about the community such as information about NGOs, tourism, local weather, and cultural attractions.

Steps:

1. Identify individuals who can help the municipality develop its web site. These individuals might work in the municipality. There are also many consultants who are developing web sites for institutions.
2. Determine what kind of information should be posted. Should the information be restricted to municipal government or expanded to include news about the city itself?
3. Most of the printed information discussed in this manual can be displayed on the web site. For example, council agendas, press releases, fact sheets, FAQs, and catalogue of services can all be displayed and easily accessed on the web site.

If the community has limited numbers of phone lines and computers, web sites can be accessed at internet clubs, public libraries, other government offices, and partner NGOs. Email is a key component of or link to and from web sites.

8. Establish an Official Communications Channel/Spokesperson and Office

When to use: Official communication about the municipality to the citizens is an ongoing process. To facilitate this process, the authorities can designate an official

spokesperson whose responsibilities include information sharing and establishing clear two-way communication channels.

Description of Position:

- Directs an office of information or occupies a senior administrative position near the chairman's office.
- Develops information distribution plan.
- Expedites distribution of information.
- Receives direction from elected leaders and key department heads to provide information to the media and the public.
- Develops a regular working relationship with all media institutions - TV, Radio, Press.
- Develops close working relationship with NGOs, neighborhood groups, and business organizations.
- Establishes complete trust and credibility with the public and members of the press by releasing factual information in a timely manner.
- Develops drafts of all major communications tools for approval of department heads and elected leaders.
- Works to prevent the spread of rumors and misinformation.
- Organizes training for elected and appointed officials on how to work effectively with the media.

9. Use of the Media

The effective use of the media is a powerful tool to inform citizens and encourage a dialogue between citizens and local government. Televised news programs, radio, government access cable channels and local papers are the broadest based tools for reaching local audiences. Although a council may not always want or need to advertise its message to a broad audience, the media can help define issues and promote greater understanding among the general public.

Take the following steps to develop an effective relationship with the local media:

- Identify which broadcasts and publications will reach your audience. If the community is small, local evening news broadcasts and the local newspaper are probably the best resources. Do not overlook neighborhood newsletters or local cable channels as good sources for reaching many citizens.
- Identify a representative from each of the targeted media organizations, such as an editor, reporter or other media representative by placing regular phone calls or by sending press releases to keep him or her abreast of council progress. Consider appointing the official communication office or council spokesperson to maintain relationships with all media representatives.

- Use the media to report and gain support for official council positions or to publicize meetings and call for community input. Send the news media copies of council meeting agendas prior to each meeting.
- Establish ground rules for media cooperation.

Media Strategy

Developing a media strategy will help the council determine what it wants to accomplish by using the media. Issues such as the most appropriate medium in different situations and rules of cooperation between the media and municipal government should be agreed upon.

Before deciding upon a media strategy, consider what message or information you wish to convey. Answering the following questions will help to determine what your council wishes to accomplish:

- How to best inform the public about specific issues?
- Is the purpose to try to gather support for those issues?
- How best to let the community know about the specific issues and the council - sponsored public hearings or special activities about the issues? A press release, press conference, interview, or government written newspaper story?
- How to best inform the community about regularly scheduled council meetings?

The next step is to decide which of the various media is the most appropriate to distribute the information. Local television and radio stations, government access cable channels, and local newspapers are the media used most widely to reach local audiences. Use media that will reach the audience the council has targeted. If the council's work affects youth, for example, it may be wise to choose a pop music radio station targeted to young people.

The strategy should also include rules of cooperation with the media and how to cultivate relationships with media professionals. The council should develop a general policy on who will handle and address inquiries from the media as well as who will initiate any council contact with the media. One person should be the designated spokesperson for the council. If the business of the council requires constant contact with the media, it may be appropriate to appoint the director of the communication office or a staff person to handle media relations. If the council has very limited contact with the media, a council member can be appointed as the spokesperson.

If an issue is controversial, the media may be more interested than usual in the council's discussions and positions. If the municipality has not employed a communications' office director, it is always best for one individual member to represent the council's official position, even if he or she disagrees with it. If, however, an official position has not yet been taken and an individual council member chooses to comment, he or she must represent those views as his or her own. In the latter situation, be specific about whether the council spokesperson is representing council's views or personal views. Even if there is a designated council spokesperson, a reporter may approach any member of the council.

If an unofficial comment is given to the media, notify the other members of the council and staff as soon as possible. Always distinguish between the council's position and your personal position there may be a difference.

The staff person or council member assigned to coordinate media relations should work to maintain an ongoing professional relationship with media representatives. Two of the most important features of this relationship are mutual respect and cooperation between the council and media professionals. Showing courtesy and providing accurate information to media professionals will help to win their respect. If, for any reason, the council spokesperson cannot release information requested by the media, offer an explanation. It is important to not appear to be secretive and uncooperative. Media professionals also appreciate adherence to deadlines and conformity to industry standards. These industry standards refer to the formats used to present material in each medium. To use the media effectively, the council must meet the standards set by each medium and must work within the given constraints.

To formulate a strategy, knowledge of advantages and disadvantages of both print and broadcast media is important.

Advantages and disadvantages of the print media include:

- Reaching a large audience through local newspapers is the primary advantage of the print media.
- Covering municipal issues on a daily basis keeps issues in the foreground and informs citizens who do not attend meetings.
- Misquoting what the spokesperson said and/or what happened at a meeting.
- Interpreting the events differently than council.
- Choosing not to print press releases.

The advantages and disadvantages of using broadcast media include:

- Accessing a large audience and free publicity.
- Representing the council's views personally.
- Getting exposure for the council.
- Scheduling drawbacks. The medium your council uses will have control over the scheduling and programming of what is aired. Public service announcements, free speech messages, and interview shows are often aired at odd hours, not usually during prime time.

Using the Print Media and Broadcast Media

Daily and weekly newspapers and community newsletters are the primary types of print media. Local television stations, cable stations, and radio stations are the primary types of broadcast media. Although each medium can use specific message formats, such as broadcast interview shows or free speech messages and/or regular articles for the print media, the majority of formats are applicable to both.

Formats such as public service announcements, event calendars, press packets, press conferences, and press releases are often interchangeable

Press releases are one of the most reliable and powerful tools of municipalities. They provide timely, useful information for the public. They should be brief and include only essential information. All press releases should include the following standard information:

- Who?
- What?
- When?
- Where?
- Why?
- How?

When to use: Notification of public meetings, policy decisions, municipal service availability and changes, events and activities.

Description: A short (1-2 page) notification to the news media of important events of the municipality.

Steps:

1. All releases should be typed on normal A4 size paper.
2. At the top left of the first page, type the name of the municipality and address and phone number.
3. Type the release date in the upper right hand portion of the first page. Indicate whether "For Immediate Release", or "To Be Released after a specified date and time". For example, To Be Released After April 4, 2003 at 10:00 a.m."
4. Begin the information half way down the first page to leave room for editor comments. If the release extends to a second page, indicate "'More" at the bottom of the first page.
5. Write the information so that the most important information Who, What, When, Where, and Why are in the first two paragraphs.
6. At the bottom of the press release, make sure to identify the names and contact information (telephone, fax numbers) for additional information.
7. Fax the release to all media organizations.
8. Keep a photocopy of every release sent out.

Urgent Press Releases

When to use: When municipality needs to communicate something immediately, such as an explanation of a major breakdown in a municipal service or item of public safety.

Description: A short (1-2 page) notification to the news media (especially radio and TV) of an urgent event.

Steps:

Follow the same steps as for Press Release but type "For Immediate Release Urgent" in the upper right hand portion of the first page.

Press Release Example

New Heritage Brownfield Tax Incentive By-law introduced by the Municipality of Port Hope

FOR IMMEDIATE RELEASE

Date: December 13, 2002

On November 12, 2002, a new by-law passed by the Municipality of Port Hope that will enhance the efforts of the Municipality to preserve their Heritage Brownfield sites by providing a new incentive for potential developers. Owners of heritage industrial properties that have been deemed brownfields, who restore their buildings, will be able to apply for a tax reduction grant. To be eligible for the grant, the property must be an Ontario Heritage Act designated property identified as a brownfield property defined under Bill 56, a plan to restore the property will require approval by the municipality and the property must be fully restored, preferably to its original architectural splendor.

Building owners who qualify can apply for a grant of up to 40 % of the amount their taxes (municipal portion) increased as a result of an increase in the value of the property that is a direct result of a remediation/restoration project. The grant for this portion of the taxes is capped at \$10,000 per annum for a maximum period of ten years. 40% of the educational tax portion is also eligible subject to approval by the Minister of Finance.

"When we looked at Brownfield sites in Port Hope, we realized that all of the sites in need of remediation and restoration had a heritage background or were designated under the Ontario Heritage Act. And when we took into account the fact that Bill 56 may not be including legislation for incentives until sometime in the future, we examined Bill 127 and married the Brownfield aspect into the legislation to create the new Heritage Brownfield Tax Incentive By-law for the Municipality of Port Hope" states Port Hope Economic Development Officer, Rebecca Goddard-Bowman. "There are a couple of superb properties that we are anxious to have restored."

For further information regarding this new tax incentive by-law, please contact Rebecca Goddard-Bowman, Economic Development Officer, Municipality of Port Hope at 905 885 4544 Ext.231 or email at rbowman@town.porthope.on.ca.

Event Calendars of upcoming activities such as open meetings, public hearings, informational meetings, and municipal cultural activities can be placed in local print media once a week. The calendar should include type of activity, the date and time of the activity, where the activity is being held, and a telephone number the public can call for more information. The broadcast guidelines are the same. Be sure that the information is clear, concise, and easy to read.

Press Packets are informational background documents prepared for specific issues, policies or problems. The packets provide more detailed information or

"Background" about the topic that the press can readily use in a broadcast or story. Municipal government officials must be sure that the data is correct and that the positions are carefully written for media understanding and positive reporting.

Press Conferences should only be scheduled if the spokesperson is well prepared and articulate about the issue or problem. Prior to the conference, ground rules must be established, such as:

- Number of questions.
- Length of the conference.
- Right of the spokesperson to control the event and determine whether or not certain questions are answered.

Press conferences are an important vehicle in which to discuss critical issues, but must be carefully planned in order to ensure that the media does not selectively report or misuse the information.

Public Service Announcements are used to disseminate important information to the public. They are usually submitted to both print and broadcast media and printed and aired frequently to get the public's attention.

Check the policies of individual newspapers, radio, and television stations regarding what types of organizations may use the service, what type of copy is allowed, and the length of time the announcement will run. Public service announcements are intended for the public's benefit and should be free of charge (especially by the broadcast media). One potential advantage of using a broadcast rather than a print announcement may be cost savings. Newspapers may charge for print announcements while broadcast announcements are usually free.

"About municipal government" article series are submitted to a local newspaper each week by Council or department heads. If you choose to highlight council activities or issues through regular features or a series of articles, the municipality will need to work closely with a media professional. Ideally, this person should be the director of the communications office. The council and departments will provide background information for the media professional who will write the article. All information must be clear and accurate to ensure fair and credible information.

Free speech TV messages can be aired during certain allotted time periods of some television stations. Speakers are given a specified amount of time to state "editorial" opinions on any issue. Free speech messages are cost free, and allow the speaker to say anything about any issue without censorship. Council may benefit from using this format to speak about issues of importance. At the same time, it should recognize that other organizations might have the same right to air a different opinion.

Interview TV or Radio shows allow council members to speak personally about issues rather than relying on the interpretation of a news reporter. An interview allows more time to clarify issues, describe activities, and answer questions from the public. The communications director can be helpful by providing the interviewer with background information and discussing with the interviewer the types of questions that may be asked. The communications director should also prepare the interviewee.

10. Information Distribution Plan

When to use: When developing a comprehensive plan for distributing municipal information on a regular basis.

Description: The operating assumption for municipal information is to produce and distribute as much information as possible.

Distribution Points: Identify a range of general information locations where citizens can read municipal information at their leisure and convenience. These may include bulletin boards in the town hall, libraries, public housing buildings, park buildings, and any place where citizens gather and talk.

Distribution Lists: The communication person/office or other nominated person should develop several distribution lists to distribute municipal information in a timely manner. For example, a list can include all the locations where the council agenda is sent. Another can be a list of NGOs and neighborhoods where FAQs are typically sent. A third list is all the media recipients for press releases.

Distribution Techniques: Information can be printed and distributed in a number of inexpensive ways, including normal post, facsimile, flyers (three part folded sheets of paper), posters, leaflets and bill stuffers (information included with bills/tax notifications).

e. Level Two - Receiving Information from Citizens

Gathering information about citizen needs is a priority of local self-government. Deciding the most appropriate method depends on factors such as purpose, time, budget, and size of the group whose opinions and attitudes are solicited. Examples of survey methods include: individual interviews by phone or in person and mailed surveys. Other methods are focus groups and advisory groups. Community-wide surveys of citizen opinions are the most resource consuming of all the techniques and should only be undertaken if the time and budget allows. They do, however, gather more statistically reliable data. Far easier to conduct, and at times more appropriate, is a more limited survey or focus group. The terms surveys and questionnaires often are used interchangeably. For clarity, this section will use survey.

Use of any of the following methods requires careful selection of all target groups who use public services. If the sample is random, ensure that persons of different age, sex, and disability, for example, are included. If the sample is targeted to a particular service, make sure that the same factors are included when selecting service users.

1. Citizen Survey

Many communities use citizen surveys to gauge public opinion on broad policy questions, as well as on more specific issues. Frequently, these surveys are sent out with utility bills and may include an incentive for their return.

When to Use: To obtain citizen opinion about needs and priorities, and opinion and feedback on municipal services and proposed programs.

Description: A citizen survey is a questionnaire that is administered to a large portion of the general public to gather their opinions concerning specific issues or municipal services. The sample size is sufficiently large so that the accuracy of the results can be proven with statistical certainty.

Steps:

1. Determine the purpose of the survey. What is it that you want to find out?
2. Prepare a draft survey.
3. Identify the target audience from which the municipality wants to gather information.
4. Determine the method of survey administration (mail, phone, personal interviews) and who will be responsible for each task.
5. If the survey is contracted to an outside organization, obtain competitive bids from several firms.
6. If survey is to be completed in-house, qualified personnel must be hired to prepare the survey, analyze the data, and prepare a report. This can be a very time-consuming task and can cause considerable delay in receiving the results.
7. Test the survey on a small subgroup of citizens to determine problems understanding the questions and coding and analyzing the data.
8. Notify the community that the municipality will administer a citizen survey and ask for their cooperation. Explain that the results will be shared with the community.
9. Conduct the survey.
10. Write or receive from the contractor a report that summarizes and analyses the data.
11. Make the summary report available to the community.
12. Hold a community meeting to discuss the report and its implications. Do the results indicate a change in service delivery? Dissatisfaction with governance?
13. Use the report to develop options to improve city services or revise policy.

Sample Questionnaire Formats

Open-ended or Closed Response Questions

Closed-response questions discuss a specific issue and elicit specific attitudes, but not different interpretations. If you want to know whether or not citizens may or may not be supportive of a particular decision or service, the following questions may be asked:

1. Do you agree or disagree with the proposed xxxx decision about municipal taxes?

Agree

Disagree

No opinion

Open- Ended Questions

Open-ended questions leave room for different interpretation by different respondents. If the council intends to survey citizen needs, a few open-ended questions are more than acceptable. Questions such as:

1. Name the three most important problems your community faces
2. What three services does the municipal council do the best job of providing?
3. What three services does the municipal council do the worst job of providing?

Likert Scale Questions

Likert Scale questions increase the variety of answers to closed questions.

1. The municipal bus service on line A requires a start time of 6 am rather than 7 am.

Strongly Agree Agree No Opinion Disagree Strongly Disagree

2. Limited Citizen Survey

When to Use:

To obtain citizen opinions and feedback on particular municipal services on a smaller, more immediate scale.

Description:

Smaller surveys are usually administered to citizens when they come to a location for a particular service. When they arrive, the survey is handed out, and the citizen is asked to take a few minutes to fill it out. The survey must be short (take less than 5 minutes) and relate to the specific service they came to receive.

Steps:

1. Determine which services require assessment from complaints, questions, and poor use of a service.

2. Prepare a draft survey that can be handed to citizens at sites where the service is rendered. Survey completion should take no more than 3-5 minutes.
3. Develop a plan to summarize the data results.
4. Test the survey on a small subgroup of citizens to determine problems of understanding the questions and/or coding the data.
5. Ensure the anonymity of the citizens taking the survey.
6. Conduct the survey.
7. Either write or obtain a report that summarizes and analyses the data.
8. Use the report to develop options to improve those particular municipal services.

3. Focus Group

When to Use:

To rapidly obtain citizen opinions on complex issues and/or to more thoroughly understand the reasons for their opinions. A focus group is a qualitative research tool, not quantitative, and does not provide statistically reliable results. It does provide insights that reflect the thinking of a representative number of people and can be planned and conducted quickly to gather opinions and assess a burning issue.

Description:

Focus groups are interviews with small groups (6-12) of people for no more than 2 hours. They are inexpensive and a relatively efficient way to conduct customer and opinion research.

Steps:

Planning for Focus Groups

1. It is advisable to hold three focus group discussions covering the same topic. This will ensure consistency of results. Each group should be about 6-12 persons.
2. Participants can be recruited at random or selected randomly by constituency (such as a neighborhood, citizens who are the primary beneficiaries of a particular service).
3. The anonymity of the participants must be assured.
4. Participants need to be assured that they do not need special technical knowledge to participate in the group discussion.
5. Recruit more participants than you will need. You can expect some attrition.
6. Prepare a discussion guide to cover the topics you want to explore.
7. Develop the basic questions to ask prior to the meetings. Questions should be open-ended and politically neutral. The questions should focus on the issues under consideration.
8. Hold the discussions in a comfortable location where there will be no interruptions.

Conducting Focus Groups

1. Record the discussion by videotaping, audio taping, or writing on a flip chart. The flip chart may be the most acceptable form of recording.

2. A facilitator who is not employed by the municipality should run the focus group. The facilitator's job is to probe the respondents, clarify the responses and encourage participation of those present.
3. The process can begin with individuals writing down answers to questions
4. The final product will be a summary report of the group's discussion.

4. Stakeholder Identification and Analysis

When to use: When municipality wishes to gather information about who will support a particular project.

Description: Stakeholders are citizens or specific groups or classes of people especially interested in a project or service. Their different perspectives, opinions and ideas are most likely to affect the outcome of a specific initiative, service or project because of their "stake" or interest in how the issue is addressed. If stakeholders agree that a specific problem resolution is in their interest, the resulting project, policy, or service will be more effectively achieved. Examples of a municipality's stakeholders group would include citizens (include all citizen groups living within the municipality), taxpayers, service recipients, governing body, employees, unions, interest groups, NGOs, the financial community, businesses and other governments (local, provincial).

Steps:

1. Identification of stakeholders requires an assessment of those persons who have a vested interest in the issue or problem. Remember that stakeholders also include those persons affected by the policy or problem.
2. Brainstorm to identify potential stakeholders by asking the following questions:
 - Who are the citizen stakeholders affected by a potential policy, service, or project?
 - Who are the municipal official stakeholders affected by a potential policy, service, or project?
 - Who are the business and industry stakeholders? Industrial plants, retail businesses, tourism industry?
3. Conduct stakeholders interest analysis:
 - List potential stakeholders;
 - Identify their role and interest;
 - Assess the impact of the activity on stakeholders
 - Assess the relative influence of the stakeholders on the activity; and
 - Determine how the stakeholders could assist designing and/or implementing the project.
4. Obtain information from the stakeholders through interviews or brainstorming, focus groups and surveys so their actual ideas and opinions can be integrated into a planning process.
5. Analyze the information obtained and prepare the report.
6. Present the report to the council and to the stakeholders

5. Citizen's mailbox

When to use: When the municipality wishes to encourage citizens to express opinions on an informal basis, it can locate citizen mailboxes or suggestion boxes in accessible sites throughout the community.

Description: Citizens' opinions and commentaries on various issues are collected in citizen mailboxes. A citizens' mailbox is simply a specially marked box placed in different public places and at the local government head office. Anonymity is guaranteed if the citizen chooses.

Steps:

1. Prepare boxes and place them in different public places.
2. Include suggestion forms or blank paper, and pencils.
3. Advertise the purpose of the mailboxes, where they are placed, and encourage citizens to use them.
4. Collect comments on a regular basis (at least biweekly)
5. Summarize the comments at least once a month and submit to council at a public meeting.
6. Respond to signed suggestions
7. Evaluate the effectiveness and terminate if use is too sporadic.

Mailboxes for citizen comments

Background: Bochnia is a suburban municipality with 16 thousand inhabitants. Municipal government officials decided to introduce a method to systematically receive information about the needs and expectations of citizens.

Innovative practice: Following the recommendation of the Chairman, the municipality placed mailboxes for citizen comments in all municipal public facilities. By announcing the initiative by radio, television, local newspaper, and the announcement board in city hall, citizens were encouraged to drop their comments and opinions in the community mailboxes. Comments and opinions may refer to important municipal documents (such as the local development strategy) and everyday issues of concern. Despite initial skepticism by the public, citizens' use of the opportunity to express their opinions through the mailboxes increased rapidly.

The majority of the notes are signed, although this is not a requirement. The mailboxes are emptied twice a month, and the municipality officials admit that most of the complaints or suggestions are justified.

At a minimal cost to the municipality (each mailbox is approximately 5USD), government officials created an important tool to "hear" opinions and comments from the public - specially vital information about the proposed local development strategy.

Results: At the end of the previous year, more than 2000 messages were received. The municipality incorporated more than a third of the comments in its plans. A number of problems raised by citizens were resolved. For instance, following citizen recommendations, the opening hours of community centers or health centers in several villages of the municipality were extended. Waste containers were also moved to more convenient locations.

Summary: The local government of Bochnia's response to the mailbox comments convinced the public that their opinions do matter. Mailboxes for citizen recommendations proved to be a cheap and effective channel of municipality and citizen communication. As a result, the municipal authorities take a more "human" look at different aspects of the municipal management, while citizens now believe that they can influence municipal decisions.

6. Citizen's Hotline

When to use: When the municipality wishes to encourage citizens to express their opinions and comments directly to City Hall.

Description: A citizen hotline is a single phone number at the office of the municipality where citizens can call and comment either anonymously or by name. The call can be taken by a city employee or answered by a recorder. The calls must be reviewed on a regular basis and responded to quickly by the appropriate department official. Ordinarily, the municipal office will be given a period of time, such as 5 days, to address the issue and inform the information center or hotline staff how it was resolved. The hotline staff is also responsible for keeping track of the comments such as registering the call, time, complaint, referral, and municipality response. Comments and results are summarized (monthly or quarterly), and a report is provided to council and key departments.

Steps:

- 1. Create an office (see level four below) and/or telephone line where the hotline can be operated.**
- 2. Develop control mechanisms such as standard forms for registering the comments, for referral to departments, and for departmental response to the telephone office.**
- 3. Develop a tracking system for referrals so reminders can be sent after the allotted response time has expired.**
- 4. Advertise the service widely.**
- 5. Summarize the comments regularly and distribute to the council and the community.**

f. Level Three-Talking with citizens about problems, issues and solutions

1. Citizen Concerns at Council Meetings

When to use: Every regular meeting of municipal council.

Description: Every regular council meeting agenda should designate a time period in which citizens can ask questions and comment on specific proposals or problems. Comments can be limited to a specified time period for each comment or question or council can set a period of time for all questions or comments. This opportunity should be well known to citizens. Their concerns should be noted, dealt with in a timely manner and/or addressed directly at the meeting. It may be helpful to ask citizens to sign up to speak prior to the meeting to assist council in judging the amount of time needed.

Steps:

1. Include in the rules of council that a specified agenda item be created entitled "Citizen Concerns". This rule will allow citizens to come forward and state their concerns. Establish rules for the time length each citizen may use to state their concern, such as 2-3 minutes, as well as the number of issues or problems that council wishes to entertain at any one council meeting.
2. Establish protocols to control the response by council. For example, if the citizen is simply misinformed, it may be most expeditious to correct the misunderstanding immediately.
3. If the matter needs to be postponed until the information can be verified, there should be a method established to ensure that the citizen receives a reply. The method should apply to any reason for postponement.
4. Citizen concern should be recorded in the council minutes as well as the action taken by council.

2. Information and Service Centers

When to use: When the municipality wishes to provide a single convenient location for citizens to obtain information about municipal services and programs, ask questions, register complaints, and/or discuss briefly a given issue. The center may provide some services directly such as forms for permits and licenses.

Description: A highly visible center that offers general information, directions and expedited services to citizens. A center may often have a general information desk and accessibility to some services also available at other locations in the municipality, such as territorial

development and construction permits, agricultural and economic policy decisions, and civic status. In some centers, external conveniences may also be provided such as bank services, cash payments, photocopying, and a stationary and newspaper stand. The center may be staffed by service departments, but it is preferable to designate one person responsible for the center who understands the overall information and distribution requirements of the municipality. The responsible person may also establish a good working relationship with citizens and promote a positive image of city services.

3. Citizen Brochure

Municipal officials and the information centers may also find it beneficial to create a "Citizen Brochure". Often citizens are unaware of their rights and opportunities, and a simple brochure or fact sheet may answer questions and promote improved citizenship.

How You Can Participate in Your Local Self-Government

You can participate in local self-government directly or through your representatives.

You have the right to have access to all public information including budgets, laws, and municipal services.

You can:

- Run for municipal council.
- Inform municipal councilors about community needs.
- Participate in local associations, citizen groups, and/or building associations.
- Participate in local referendum issues.
- Vote in local elections.
- Take the initiative or participate in local government opinion surveys.
- Participate in the process of determining the rules and regulations to privatize municipal property.
- Participate in advisory committees, municipal commissions.
- Attend all open council meetings and public hearings to voice your concerns.

g. Level Four - Involving citizens in decision-making

Involving citizens in decision-making is the highest level of citizen participation. Because citizen participation is a constant process, working to develop shared governance is a primary goal of local democracy. Although all attempts to include citizens do not work equally, it is important for the health of local democracy to involve citizens, listen to their policy recommendations, and include them in decision-making committees and boards.

Methods appropriate for involving citizens in decision-making include community meetings, citizens' commissions and advisory groups include:

1. Open Public Meetings

When to use: When the municipality wishes to ask for citizen comments prior to initiating a program or policy and expects to include citizen ideas in the decision.

Description: Representatives of the local government conduct an official public meeting to share ideas and concerns on general topics or specific actions that the municipality is contemplating. No official actions are taken at the meetings, but citizens learn about local government issues, voice their concerns, and understand more clearly the complexity of local governance. Such interactions raise confidence and trust in local government.

Preliminary steps:

1. Publicize well in advance (2-3 weeks) and immediately prior to the meeting.
2. Prepare and share key information handouts in advance. Post the meeting agenda.
3. Develop a fact sheet. Have copies of all documents at the meeting.
4. Plan the meeting room effectively. Sit key people at front facing the audience. Use a sound system if the room and the audience are large. Have extra chairs on hand. Arrange seating so speakers and audience are close. Arrange tables near the door for handouts and sign-up sheets for comments.
5. Develop a simple agenda.
6. Develop meeting rules: speaker time limit, sign-up sheets, and use of sound system by citizens.
7. Distribute agenda and meeting rules in advance.
8. Assemble support team: technical persons, sign-up table, greeters, and a public communications specialist to handle press, audiovisual and tape recorder personnel.

Steps for an orderly meeting:

1. Offer welcome and brief introductory remarks. State meeting goals, expectations and procedures. Hold up handouts and invite anyone to get copies at the sign-in table.
2. Introduce participating officials and technical staff who may provide back up, any special guests, and any other officials in the audience.
3. Repeat the meeting rules. Have agenda and rules displayed on flip charts for everyone to see.
4. Make a clear presentation of topic or issue at hand. Be brief to ensure adequate time for citizen input.

5. Encourage citizen comments - usually limited to 1-3 minutes per person. Ask citizens to identify themselves, and speak into a microphone.
6. Minutes of the comments will be published and made available. Provide information on follow-up meetings and make draft plans of action available to the public.

2. Public Hearing

When to use: When the municipality wishes to provide a formal opportunity to present proposals and ask for citizen input.

Description: A hearing is an opportunity to deliver information to citizens, but its primary focus is to hear from citizens concerning official proposals for new policies and programs such as budget, strategic economic, and public land management plans. Hearings are open to all interested citizens.

Steps:

1. Decide on date, time and place of the meeting.
2. Invite participants with knowledge of and vested interest in the topic. See Stakeholder Identification and Analysis.
3. Prepare and share key information handouts in advance.
4. Plan and implement a room setup that promotes open discussion.
5. Agree on ground rules such as the amount of time for speakers, whether the citizens are expected to sign up before or during the meeting. Agree on agenda: presentations from the councilors, citizens comments, questions.
6. Register or sign-in all speakers.
7. Appoint a record keeper and use the records to prepare report. The final report should be issued within 60 days after the debate and should include an explanation about how municipality will deal with the issues raised during the Meeting.
8. Make the report available to the public and to the media.

3. Citizens' advisory commission / group

When to use: When the municipality wishes to involve citizens in an intensive effort to obtain their input, expertise and make decisions. Involving citizens as commission members often builds consensus in the community on issues that may be controversial. Commissions can also build a solid base of citizen support.

Description: Successful commissions often share the following characteristics:

- Limited in size to 15-20 individuals. Determine rotational membership period.
- Suggested membership by departments, but approved by council.

- Approved mandate or purpose by council
- Limited budget and schedule
- Limited involvement of local government to technical input
- All meetings are open to the public.

Steps:

1. Develop shared vision among members.
2. Identify opportunities and constraints.
3. Develop proposals for action among members for the community.
4. Develop plan components.
5. Develop budget.
6. Develop implementation schedule.

4. Referenda

Municipalities can hold a referendum on their own initiative or at the request of the population. A referendum places a proposed public initiative or local law on a ballot to be decided by popular vote.

A referendum is defined and implemented according to Article 26 of the Law on the Status of Municipalities.

h. Summary

Citizen participation has four levels:

- **Informing** citizens about municipal issues and services
- **Gathering** information about citizen needs and priorities
- **Talking** with citizens about problems, issues, and solutions
- **Sharing** decision-making with citizens

These levels ensure that the municipality is:

- Sending and receiving information in an honest, complete and clear manner.
- Encouraging citizens to make choices and influence results in an open and straightforward manner.
- Explaining decisions and providing justifications for these decisions.
- Involving citizens in decisions regarding their quality of life.

Local self-government includes the willingness and capacity to promote appropriate legislative change, build awareness and develop skills, identify best practices, enhance mechanisms for participation, develop clear and transparent procedures for participation, strengthen the capacity to provide training, and enhance the capacity of citizens to participate. Procedures, time-lines, and criteria for funding major local initiatives such as land use planning decisions and budget allocations need to be established and understood by the community.

Municipalities should always:

- Allow for community cooperation in the local government planning process and promote government participation in citizen's initiatives.

- Share information with the community on a regular basis. All types of tools should be utilized: newsletters, timely press releases, regular public meetings, public hearings, focus groups, regular radio/television talk shows. These are but a few of the many ways to communicate with constituents.
- Understand the value of "tripartite" relationships. Positive relationships between and among the business sector, NGO sector and the municipality must be encouraged and considered as an "added value". Each has experience, knowledge, ability, and the potential of financial support for services.

Other considerations:

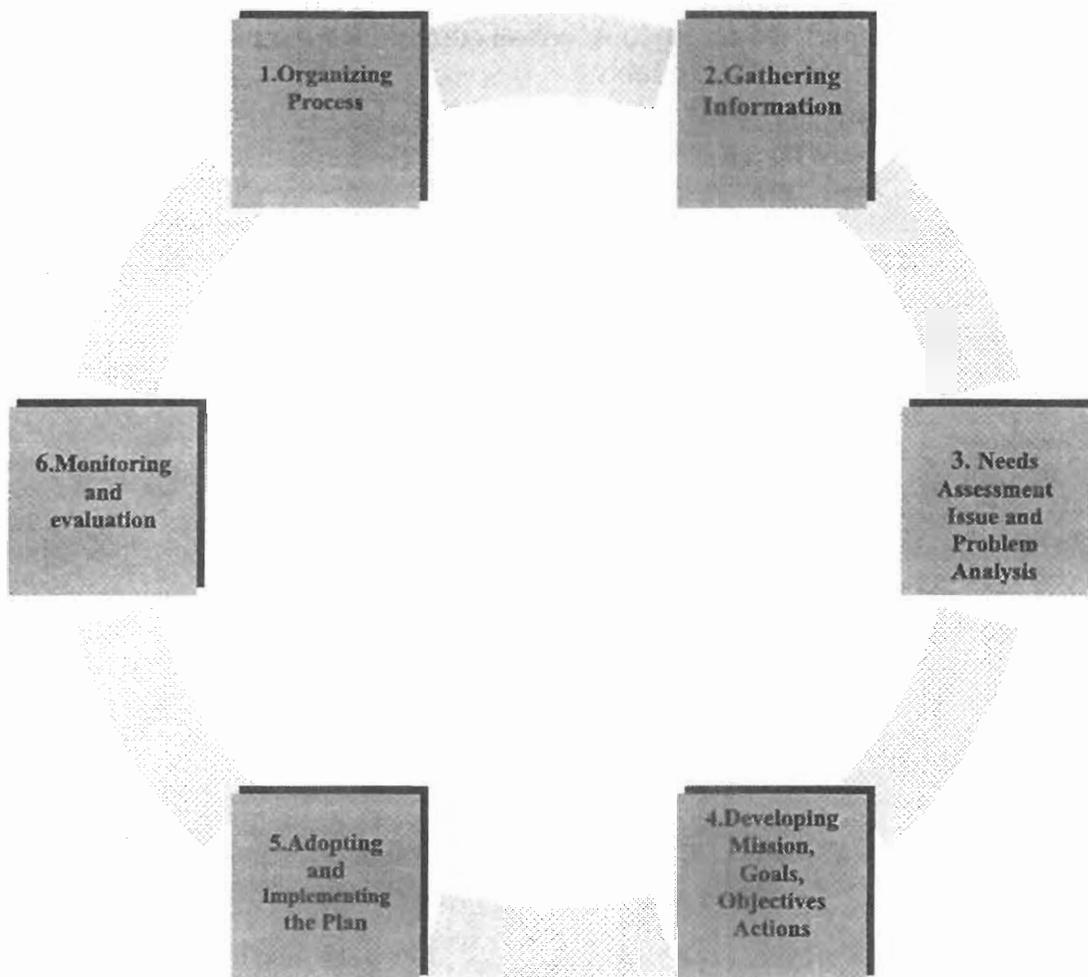
- Appoint a Plenipotentiary for Community Affairs to facilitate a two-way information flow.
- Adopt municipal ordinances or resolutions to define and encourage the citizen participation process.
- Reinforce ordinances or resolutions that require outsourcing, on a competitive basis, of local government services to local businesses and/or community organizations. This will strengthen local economic development, and support the sustainability and the effectiveness of the third sector. Ensure that all competitive bid procedures are carried out honestly and openly.
- Establish sector specific "Planning Committees/Councils." Include community professionals who are selected on a competitive basis. This will give the municipality additional expert opinions.
- Attend sector specific community or business association meetings on a regular basis. This will create permanent linkages to the community.

5. STRATEGIC PLANNING

a. Introduction

This section will introduce councilors to the application of strategic planning. The techniques presented in this section can be applied to a diverse range of situations requiring assessment, problem identification, setting goals and objectives and making sure the goals and objectives are accomplished.

The approach is based on a sequence of steps in a planning cycle (*see diagram*) that involve the participation of outside stakeholders. Although the strategic planning process can be undertaken by local government alone with external experts, the approach recommended here deliberately includes selected community stakeholders: NGOs, local media, business leaders, and citizen representatives. The strategic planning process is an important citizen participation tool that creates local ownership of the process and introduces the widest range of options and opinions. The stakeholders' process normally takes longer than using only a technical expert, but the advantage of ownership and commitment by the community is worth the extra time.



The material presented below introduces strategic planning. Preparing a strategic plan can take fifteen to twenty working days spread over a six to twelve month period, depending on the complexity of issues to be addressed. For any municipality, this is a manageable and rewarding exercise.

b. What is Strategic Planning?

Strategic planning is a systematic process to determine what a municipality and community want to be in the future and the methods to achieve that end. The process not only develops the future vision and the mission or purpose of the municipality, but also identifies problems, and decides what goals, objectives and actions are required to resolve them. Strategic planning implements programs that capitalize on the municipality's strengths and weaknesses as it recognizes the external threats and opportunities that affect the municipality. It provides an opportunity for the municipality to develop a vision of its desired future with the participation of all stakeholders. The process also includes steps to ensure that the plan remains current and responds and adapts to a changing environment.

Strategic planning provides an overview of planning and development issues within a broad context as it identifies important areas for action in the short and long term. Strategic planning is described by Bryson as "a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does and why it does it".

Quite simply, strategic plans attempt to answer the following questions:

- Where are we right now?
- Where do we want to be in the future?
- What internal and external forces are operating that will hinder or help us to achieve our long term goals
- What objectives and action steps will we need to implement to get there?
- How will we know we are progressing toward our goals and objectives?
- How will we know when we have achieved goals and objectives?

To operate properly, strategic planning requires a broad information gathering process and the development and exploration of strategic alternatives that emphasize future implications of present decisions. This process can facilitate communication and participation among diverse groups of interests and values. Through the combined efforts of these groups, it can encourage analytical decision-making and promote the successful implementation of the plan itself. The strategic planning process is different from other management techniques in that it builds on the nature of the political decision making process and encourages the inclusion of the major stakeholders in the planning process.

c. The Benefits of Strategic Planning

Municipalities must be willing to adapt successfully to internal and external changes in the environment. Limited resources require careful choices and new directions to deal with new realities. Strategic planning is a systematic process to manage change and create the best possible future. By examining the current allocation of scarce resources to identified problems, the process encourages municipalities to investigate alternative resources.

Thus, the strategic plan documents a course for the municipality that can be particularly important to maintain direction when municipal employees change. Finally, strategic planning can give a community a clearer picture of its own unique identity and draw attention to previously overlooked attributes of the municipality.

Six primary benefits to strategic planning are to:

1. **Promote strategic thought and action.** This leads to more systematic information gathering about the municipalities' external and internal environment, various stakeholder interests, clarification of its future direction, and the establishment of priorities for action.
2. **Improve decision-making.** Strategic planning focuses on the crucial issues and problems that require key decision-makers attention and problem-solving skills. It can also help the municipality formulate and clearly communicate its strategic intentions, assist in making today's decisions in light of future consequences and help develop a coherent and defensible basis for these decisions as municipal leaders continue to exercise maximum discretion in areas under their control.
3. **Strengthen the municipality's organizational responsiveness and performance.** The municipality is encouraged to clarify and address major organizational issues and respond wisely to internal and external demands and pressures. This permits the municipality to effectively deal with a rapidly changing environment. However, strategic thinking and actions are what count, not just thinking.
4. **Directly benefit policy makers and decision makers to better fulfill their roles and meet their responsibilities.** The teamwork and expertise among all municipal staff are likely to be strengthened.
5. **Open the groundwork for a municipality to develop comprehensive plans for business or economic development, communication, transportation, service delivery and capital investment.**
6. **Ensure a greater chance of organizational success when a municipal vision is shared and commitment to its goals are agreed upon.**

Although strategic planning can provide all of these benefits, there is no guarantee it will. Strategic planning is simply a set of concepts, procedures and tools. Municipal leaders, managers and planners need to be very careful how they use strategic planning, because their success will depend at least in part on how they tailor the process to their specific situation. In other words, strategic planning will only work if enough municipal decision makers, managers and planners support it and ensure an inclusive process.

d. Who should be involved in the Strategic Planning Process?

The key decision makers in a municipality cannot prepare a strategic plan in a vacuum. Major community stakeholders such as citizens, interest groups, councilors, the mayor and municipal employees must be included in the process. Municipalities need to strike an appropriate balance to involve all parties and ensure a collaborative and interactive process at all levels.

The rationale for creating a broad-based committee is two fold:

- Persons consulted about the plan will take a greater interest and may adopt all or part of it as their own.
- A broader spectrum of viewpoints and a wider range of resources will be integrated if more people have an opportunity to contribute and make decisions. However, a municipality cannot include all of the interested parties or stakeholders.

The Strategic Planning Team must be manageable. A larger number of participants increase the likelihood of an unwieldy process. Similarly, the greater the diversity among the participants will require more time to reach a consensus. Therefore, time and budget constraint tradeoffs must occur during the selection process to encourage key participants to join the Strategic Planning Team. If the members must be limited, consider which individuals are in a position to veto or block the implementation of the strategy (high-ranking officials and policy makers). These individuals should be included at the outset. Generally speaking, the Strategic Planning Team should not be more than fifteen members, but large enough to operate with at least two-thirds in full attendance.

The appropriate roles for this committee are to:

- Decide problems and issues that the plan must address.
- Develop goals, objectives, and strategies to address these issues.
- Review the draft reports.
- Assist in the identification and allocation of resources for the planning effort and for the implementation of objectives and strategies.
- Divide up implementation responsibilities among participating organizations.

If there are a number of people identified who could contribute but are not selected due to size limits, they can be considered for working committees. The size and number of the working committees will depend upon the breadth of the strategic plan and the issues to be resolved.

e. The Strategic Planning Steps

Preparing and implementing a strategic plan requires the following basic steps:

1. Organizing the process
2. Gathering information
3. Needs assessment/Issue or problem analysis
4. Developing mission, goals, objectives and actions to resolve problems
5. Adopting the Plan
6. Implementation
7. Monitoring and Evaluation

1. Organizing the process

1.1 Forming Strategic Planning Team

The strategic planning process begins when a municipal official(s), most likely the council chair, consults with other officials to initiate the process. The municipal group will identify persons, groups, and organizations that may be interested. Potential team members can be identified by a stakeholder identification and analysis (*refer to Citizen Participation Chapter*). Once the Strategic Planning Team is selected, they will be assigned the task of setting the parameters of the study, which must be approved by the various key decision makers of the municipality. Generally, a strategic plan should only encompass those parts of an organization or topics that are under the control of or strongly influenced by the members of the Strategic Planning Team. If not, plan implementation may become an obstacle rather than an opportunity.

A list of possible participants for the final selection of the Strategic Planning Team could include: elected officials, school officials, neighborhood representatives, civic organizations, special interest groups, local media representatives. Each of the groups involved in the process will bring their own contribution.

1.2 Organizational Framework

Delineating the study parameters requires answers to the following:

- What is the purpose of a strategic plan in general?
- Who will lead the strategic planning process?
- What are the roles and functions of the staff and/or coordinator?
- Who should be involved at various stages of the process?
- What is the geographical area of the plan?
- What resources will be needed to get the job done?
- What is the time frame of the process?

The first priority of the Strategic Planning Team is to ensure that members have a common understanding of what strategic planning is and what its benefits are. Briefing the team about strategic planning can be carried out with a general discussion of its purpose, why to initiate it, and a review of the steps. The team may wish to invite an outside consultant or members of teams from other communities that have completed a plan to assist with the first few sessions.

The answers to the questions listed above will help the group organize and focus on the community or municipality itself. The group will need to understand at the outset that all issues will not be completely identified or resolved. Initial ideas may require modification throughout the process. Planning, however, is an ongoing process. During its cycle, other critical areas may be identified that will require analysis. Do not expect major breakthroughs in the first few steps.

At this stage, the team needs to develop a work plan to guide the project participants. A draft work plan provides a guide for the entire process and can be an invaluable tool to determine time frames, resources required, and work committee tasks.

2. Gathering information / data

The next step is a situation assessment. To accomplish this, the team must understand the existing situation of the municipality by collecting available data from municipal departments and by gathering additional data from the community. These data may include current departmental information such as available services and their use, statistical analyses, surveys, interviews, and focus groups, and a review of existing infrastructure.

This section explains how to prepare a comprehensive review of the physical, economic, social, cultural and organizational environment of the municipality. This step may involve a fair amount of work, but can be mitigated if municipal staff compiles the information at the outset. As they organize the material to present to the team, the staff will also "buy-in" to the process. The Team can be divided into topical departmental workgroups (transportation, social services) to help collect and review the material. The level of detail of this step will be determined by the degree of comprehensiveness of the process and the size of the municipality.

2.1 Available Information

Physical Environment

Proper maps are critical to promote a better understanding of the issues and the interrelationship between various elements of the municipality.

Two series of maps are necessary:

1. The limits of the area affected by the strategic plan. This series of maps will include all of the detailed data (physical, economic, social and cultural information) and, urban and rural planning strategies; and
2. The larger area of the surrounding communities or areas that affect the study area and vice versa. The second series of maps do not need the level of detail of the strategic planning study area, but they will provide a context for the first series and facilitate assessment and analytic discussions. Extra maps can also be used as working sheets.

The data should include information on: geographical features, land use and zoning, natural resources, location of primary government and external social services, businesses, and water, sewer, and road infrastructures.

Economic Environment

The economic environment data should be available from a variety of sources. The State Statistics Committee or the Ministry of Economic Development is a good resource. The data should include information on: economic and resource base, housing development, real estate development, trade area profile, employment by employer, and unemployment.

Where detailed information is not available, the Strategic Planning Team will determine the relative importance of the information and whether it is worth the time and cost to acquire it. To facilitate discussion and clearer understanding, some of the information should be relatively easy to transfer to some of the base maps prepared in the previous section.

Social Environment

Similar to the economic environment section, the information should be available from a variety of sources. A list of the topics to review are: population, labor force, social services, community organizations and purpose, what population is served by community organizations and social services, and schools.

Cultural

Identification of cultural attractions should include information about: history, historic sites, museums, schools, theatres, and libraries.

Municipal Organization

To better understand the municipal organizational structure and how it operates, the team should gather the following:

- A list of the various municipal commissions and their reporting structure.
- Expertise of the staff.
- Municipal resources: equipment, infrastructure, land, employees, finance, budget, and municipal services.

By developing a greater understanding of the resources available, the team can more easily formulate achievable plans.

Interest Groups

The Stakeholder Analysis will identify the important interest groups. Knowledge of how a strategic plan may affect other groups and how the groups may try to influence the plan is critical information. It is necessary to involve others in the process.

2.2 Methods of additional data collection

After review and assessment of the available municipal data, it may be necessary to gather additional data to fill identified gaps. The Strategic Planning Team should not rely on only one method of obtaining further information. A combination of two or more of the following methods is strongly suggested: surveys, interviews, focus groups and public meetings from the public. Each method should include information on the project's purpose and solicit views on the issues of importance to the community.

All data available from the municipality and newly gathered for the strategic plan should be disaggregated by sex, age, education, and, if possible, employment and income. If previous municipal data is not disaggregated, this is an excellent opportunity to begin. Without disaggregated data, it is not possible to understand fully issues related to certain groups or to target services to the appropriate population. When conducting a survey, interview, or focus group, random samples must be selected from all population groups to be valid. Such data will save time and money now and in the long run.

Further details about additional data collection methods are included in the Citizen Participation chapter.

Surveys

Surveys are an invaluable method of soliciting views, concerns, issues and ideas from various stakeholders. Furthermore, surveys provide an excellent forum to educate and inform stakeholders of the nature and purpose of the strategic plan and to enlist their support. In many ways, this step may be key to the final success, acceptance, and implementation of the strategic plan. The scope of the strategic plan and identified information gaps will determine the necessity and extent of the surveys. If surveys are to be conducted, the Strategic Planning Team needs to develop a list of topics or key issues to initiate the consultative process. The team should be able to identify five to ten key issues based on the information gathered to date.

Using a random sample of the population, surveys or interviews can provide statistically accurate means of measuring the opinions, attitudes, concerns and ideas of the community or specific groups. Depending on the size of the community, a decision can be made whether or not to conduct the survey by mail or telephone. Smaller populations can be more easily telephoned. The number of surveys depends on the size of the community. It needs to obtain some meaningful results within a limited budget and should be defensible by the team. If telephone interviews are chosen, the team should hire people to conduct the interviews rather than to rely on volunteers. Senior high school or university students have often been suggested for such situations.

In most cases, it is preferable to use predominately-closed questions to which one answer from a list is chosen. Limited use of open questions, in which the respondent answers in his or her own words, shortens the time required to paraphrase and analyze the answers. The order of the questions can also be important. Place the questions that can be answered quickly and easily at the beginning to allow the respondent to become comfortable with the survey. The more difficult or complex questions should be inserted in the middle and the end of the survey.

More detailed information about survey methods and survey development can be found in the citizen participation chapter.

A survey should include the following steps:

1. Determine the purpose of the survey. What is it that you want to find out?
2. Prepare a draft survey.
3. Identify the target audience from which the municipality wants to gather information. Whether a random sample or a specific group, the sample must represent the population. Factors such as age and sex must be considered and questions that ask about the services used by each population must be included
4. Determine the method of survey administration (mail, phone, personal interviews) and who will be responsible for each task.
5. If the survey is contracted to an outside organization, obtain competitive bids from several firms.
6. If the survey is to be completed in-house, qualified personnel must be hired to prepare the survey, analyze the data, and prepare a report. This can be a

- very time-consuming task and can cause considerable delay in receiving the results.
7. Test the survey on a small subgroup of citizens to determine problems understanding the questions, and coding the data.
 8. Notify the community that the municipality will administer a citizen survey and ask for their cooperation. Explain that the results will be shared with the community.
 9. Conduct the survey and analyze the results.

Interviews

If the team plans to conduct interviews, there should be two sets. The first group should include the primary elected and appointed officials in the three levels of government and may also include government representatives whose departments or programs have a direct impact upon the strategic plan. The second group should include key individuals in the community who have a high profile and are active in community affairs. These individuals do not have to be limited to any particular group, association or level of government and may include local business people, social activists, retired politicians or anyone who is actively involved in community affairs and local issues.

The interviews should begin with a short review of specific topics concerning the issue at hand. The focus of the discussion should deal with the problems, prospects and positive features of the community and solicit ideas or suggestions for the future of the community from the interview. The interviewer should take notes throughout the interview and summarize in point form immediately after the interview. The interview should not last much more than one hour.

Focus Groups

A focus group is another name for a group interview or group discussion focusing on a particular topic. A group of six to twelve persons is selected, and a facilitator guides the process. The individuals chosen for the focus group should represent a target group from which you wish to solicit opinions. In order to ensure a representative sample, three to four focus groups should be conducted. This method offers a better understanding of the range and depth of opinions, beliefs and ideas from a target group. To better ensure a representative sample, consider dividing groups by age or gender. It may be the case that women prefer and can more openly discuss issues without the presence of men.

Focus groups are a qualitative research technique and are often used prior to a more quantitative analysis. For example, the information gathered from a series of focus groups may be used as a basis for the design of a survey. A trained facilitator is required to guarantee coverage of and focus on the main points of interest. The in-person setting permits the exploration of unanticipated issues or problems that people raise and draws out detailed responses. The meetings are either recorded on audiotape for transcription and analysis or an individual is assigned to take detailed notes.

The weakness of conducting focus groups is that they do require a facilitator who has been trained or has experience in focus groups. The transcribing of the information gathered and its organizing, categorizing and analysis can be a daunting task.

Although the focus groups can provide detailed information and be extremely useful, they may not be representative samples of the population and therefore should be interpreted cautiously.

3. Needs Assessment and Development of Strategic Issues Analysis

This step assesses the information collected above to identify, analyze, and prioritize strategic issues or problems. Throughout the data-gathering phase, the Strategic Planning Team members will begin to acknowledge and formulate problems and solutions. In this step, these initial thoughts will be discussed formally to ensure that all issues and needs are analyzed and prioritized prior to adopting strategies to resolve them. The primary method of analysis is SWOT, a technique that examines the strengths, weaknesses, opportunities and threats of the municipality. Typically, strengths and weaknesses are assessed through an internal or organizational lens, and opportunities and threats look at the external or municipal/central State environment.

The main point to remember in this section is to keep the analysis simple. Otherwise, it is easy to become bogged down in too much assessment. If the discussions start to lose their focus, the group may wish to examine some of the work already completed concerning the municipality's mandates, stakeholder analysis, the municipality's values and mission statement to bring the item back into focus. Group discussion by all members is important to the success of the plan, and in particular, to this step.

The identification of problems or strategic issues is a significant step in the strategic planning process. Once strategic issues are identified, the process is clearer and easier to complete. This is perhaps the most exciting stage as well, because you can expect healthy, productive discussion, especially when the team sets priorities. The important point to remember at this stage is to focus on the identification of the strategic issues, not on their resolution. Resolution is the next step. Many management problems arise because a premature focus on solutions is incomplete without full understanding of the problems and issues. Consequently the strategies identified will not fully address or resolve the issue. Like the earlier stages, this step needs a facilitator to keep the process moving and on topic.

3.1 SWOT - Identification of Strengths, Weaknesses, Opportunities and Threats

The information gathered in the previous steps is organized, analyzed, and prioritized through a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats). The process provides information on the municipal government's and community's strengths and weaknesses in relation to the opportunities and threats it faces. The Strengths and Weaknesses identified by the SWOT analysis generally refer to the internal present state of the municipal organization and the community while the Opportunities and Threats are generally external and future oriented. These distinctions are not always precise given the broad categories of municipal governance and the community at large.

The strengths and weakness' review should be conducted with as much objectivity as possible. If the realities of the municipality and the government organization are not reviewed honestly and openly the achievement of the plan 's goals may be severely limited.

It is difficult to learn about ourselves if we are not willing to be critical of our own behavior. Therefore, at this juncture of the process, the Strategic Team Members must be willing to check their egos and concerns about protecting their "own turf" at the door, and be willing to have very frank discussions.

Therefore, strategic planning finds the best or most advantageous fit between an organization and its environment. The analytic exercises listed after the SWOT analysis are used to initiate and strengthen the SWOT analysis and identify strategic issues or problem priorities. These techniques: individual analysis; subgroup analysis; "organizational highs, lows and themes" exercise; and the "snow card" technique may require more than one meeting because of the amount of information to cover.

A SWOT uses the brainstorming technique (see below) and is based on two perspectives:

Internal Analysis (Strengths and Weaknesses): Analysis of the assets and advantages and liabilities and problems of the community.

Strengths:

- What do the municipality and the community does well?
- What are the assets?
- What are you proud of?

Weaknesses

- What do the municipality and the community does poorly?
- What are the disadvantages of the community/municipality?
- What decisions, events, and actions should not happen again?

External Analysis (Threats and Opportunities): Identification and evaluation of the primary opportunities and threats of the external environment that can or cannot be influenced by the community. The external analysis examines possibilities, benefits, dangers, and unintended consequences or positive and negative assessments of the future.

Opportunities:

- What can be done better?
- What does the future hold in your department or field of interest?
- What changes can you influence?

Threats:

- What are the constraints/barriers to improved municipal performance and a livable city?
- What are areas in your municipality or community in which you have no influence?

SAMPLE SCHEMATIC ANALYSIS

STRENGTHS	WEAKNESSES
<p>MUNICIPAL GOVERNMENT ASSETS</p> <p>GOOD DECISIONS</p> <p>Human resources: labor, family;</p> <p>Man-made resources: roads, utilities, schools, public services;</p> <p>Natural resources: land, minerals, water, relief, etc.</p>	<p>Poor decisions, infrastructure, poor planning, lack of funds</p>
OPPORTUNITIES	THREATS
<p>External factors to the community, with a favorable impact. Can influence</p> <p>National and local legislation, policy Future trends to capitalize on</p>	<p>Problems, obstacles, constraints that hinder community development</p> <p>External factors to the community, with a negative impact. Cannot influence.</p> <p>Global Market, economic factors at the national/global level</p>

In the planning process, the opportunities are turned into goals and objectives. The identification of weaknesses and threats is the first step to find solutions. The strengths are the resources upon which we build the solutions.

Following the SWOT analysis, it helps to conduct a short cost-benefit analysis. To complete, the team must very carefully calculate all the costs involved, including those of destroying resources or opportunities. For example, in the case of a polluting industry located in a tourist area, the cost of the investment should be compounded by revenue lost from tourism, landscape destruction and health impacts, plus the possible costs of intervention in case of accident. Will the benefits generated by the project compensate all these costs? Is the risk worth taking?

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Opportunities:

- What can be done better?
- What does the future hold in your department or field of interest?
- What changes can you influence?

Threats:

- What are the constraints/barriers to improved municipal performance and a livable city?
- What are areas in your municipality or community in which you have no influence?

The Team or sub-group brainstorms on one of the SWOT issues and lists their ideas on a worksheet. Upon the completion of this list, the team reviews the items and picks the best five to ten items for that round. After repeating this process for the four categories, the team or subgroups will list the items for each SWOT category on separate pieces of paper or cards. The cards are collected and attached to the wall, clustering the cards with similar themes (snowballs).

The entire team will then name the theme or category for each cluster. As the team discusses the various clusters, they should determine whether they are a good fit, whether there are other sub-categories and if there are any linkages from one category to another. The various snowballs should be arranged in order of priority. This can be achieved through a group discussion of the "snowballs." Alternatively, each of the members of the team could be given seven to ten dots and be asked to place one dot on each item they consider to be the most important. Once the issues have been ranked, the cards should be collected and prepared in the SWOT categories in order of importance.

3.3 Individual Analysis of SWOT

Another method is to ask individual team members to conduct a personal SWOT analysis. After individually creating lists from each SWOT category, the members meet and each member reviews his or her findings, observations and conclusions. At the meeting, a facilitator will be required for the review of the individual lists. Each of the strengths, weaknesses, opportunities and threats should be dealt with separately. Usually, it is quite helpful if the items are listed on the wall, so that they are visible to all members. If one individual raises an item, there is no need to repeat it. The facilitator should keep the discussion focused on one issue at a time and move the discussion along. Upon reviewing all of the lists, a final list should be prepared with items modified or expanded as necessary. It is common to have an item that may be listed as both a strength and a weakness or an opportunity and a threat. For example, if it is determined that many people prefer to shop in another community, a threat would be perceived. However, it could also represent an opportunity, because the purpose of the trip is to buy what is not available locally.

The advantage of the individual method is that individuals are less likely to be constrained by comments or ideas of other team members, and it may facilitate a greater flow of ideas. The disadvantage of this method is that the ideas of one often provide the spark needed by others in order to build on previous suggestions.

3.4 Organizational Highs and Lows

Used to strengthen the present and future analysis of the SWOT, this exercise examines the past to understand what worked well and what did not. As a result, the Strategic Planning Team should focus on what the municipality should do differently so as to not repeat the same mistakes.

PREVIOUS PAGE MISSING

As in the SWOT analysis exercise, the Strategic Planning Team will need a room with a large wall (or black board) that can be covered with large sheets of paper to make one large sheet. This should be divided into top and bottom halves, representing the highs and the lows. At the far right draw a vertical line to represent the date for today, at the far left-hand side draw a similar line representing how far back in time the team wishes to examine (usually five to ten years).

Each member of the Strategic Planning Team should list on small pieces of paper all of the municipalities "highs" and "lows" within the time frame. The list may include the arrival or departure of successful and not so successful leaders, successful or unsuccessful management programs, useful or unworkable ideas and beneficial or poor decisions. Each item should be dated, and labeled as a high or low and placed accordingly on the wall sheet. The group then identifies common themes relating to the highs and the lows or to both.

The themes are analyzed in terms of the following questions:

- What strengths have the municipality relied on to deal with threats, to take advantage of opportunities? Which were ignored?
- What weaknesses inhibit the municipality from managing threats and opportunities? What has been done about them?
- What opportunities has the municipality experienced? Which were taken advantage of, which ones was the municipality unable to take advantage of and why? Which ones were ignored?
- What threats did the municipality face? Which were handled successfully, unsuccessfully and which were ignored?

The answers to these questions should identify patterns in the relationship among the strengths, weaknesses, opportunities, threats and themes. In particular, pay close attention to what the municipality's strategies have actually been rather than what has been voiced in official statements. Based on previous history, the Strategic Planning Team should project what they would like to see in the future and what new themes the team would like to see. This step should take place no more than two weeks after the SWOT Analysis while it is still fresh in the Strategic Planning Team's minds.

The information gathered by each of the above exercises will complete the needs assessment and identify the strategic issues or problems to be addressed. Answering the following questions can identify the main problems:

- What is the issue or problem that the municipality can take some action about?
- Who considers this to be an issue?
- What makes this an issue in terms of the SWOT analysis?
- What would the consequences be of not addressing this issue?

The first priority is to ensure that the problems or issues listed are those the municipality can address. Otherwise, it is not a strategic issue for the municipality but an issue for another organization such as the provincial or central level of government.

At this point, the Strategic Planning Team may wish to present the strategic issues to council and at a public meeting. By informing the council and the public about the process, the relevance and the ranking of issues can be openly discussed. If there are major differences or other issues identified, the Strategic Planning Team has the opportunity to reevaluate their issues and, if necessary, modify them. In the long term, this will also increase a greater "buy in" or acceptance of the work of the Strategic Planning Team.

4. Developing goals, objectives and actions to resolve problems

The strategic issues are the identified problems to resolve. Strategic Planning Team members must now develop a mission, overall goals, specific objectives, and action steps that, if achieved, will resolve the issue or problem.

4.1 Articulating the Mission or Purpose of the Municipal Government

The strategic planning process clarifies why the municipality exists and helps to prepare a clearly articulated statement of purpose. The mission or statement of purpose should be written in a short paragraph that explains why the municipality exists, what services are provided, and its hopes for the future.

4.2 Overall Goals

Goals are the results the municipality hopes to achieve by working to resolve the strategic issues or problems. Goals are long term and stated in general terms about what we hope to happen in the future.

To write the goals, identify the practical alternatives or visions the municipality might pursue to address each strategic issue. For each strategic issue there may be more than one alternative to resolve the issue or vision. At this stage, the team is encouraged to be innovative and unrestrained in their formulation of dynamic alternatives and visions. For example, an important cluster or theme identified by the SWOT and the snowball method is economic development and the inability to attract business, industry, and/or retail firms. Thus, the overall goal may be written "to achieve economic diversity and self-sufficiency by attracting business, industry and retail firms."

4.3 Objectives

Identify the objectives the municipality will pursue to work toward achieving the goals. Objectives are more specific and targeted than goals and address the short term. Each goal will require more than one objective.

For example, if a strategic issue is the inability to purchase children's clothing in the city, the stated objective may read:

- To recruit an entrepreneur to open one children's clothing store in the center city district by December 30, 2004.

The objective answers the questions: what and when. The objective must also be SMART:

- **S** specific/concrete (children's clothing)
- **M** measurable by numbers (one store)
- **A** achievable (feasible, can the community sustain the store)
- **R** realistic (resources of the community can make this happen)
- **T** - timebound (completed by a certain date December 31, 2004)

Developing SMART objectives will help to determine whether they are realistic or attainable and identify the barriers to the achievement of suggested goals. However innovative and dynamic the goals may be, this step provides a "reality check." What would prevent the achievement of these goals? Barriers could include, for example, lack of resources (economic and expertise), physical constraints, and conflicts with other municipal goals and objectives.

4.4 Action Steps

Action steps answer the how question. For the objectives that are achievable, identify the action steps which existing staff must undertake to implement them. The resulting action plan should be a self-contained worksheet for each objective.

An action plan includes:

- The tasks, in the sequence in which they will be undertaken.
- A realistic schedule of each task.
- Expected results of actions or tasks.
- Who or what organization is responsible for each of the tasks.
- Necessary funds, including identification of funding sources.
- Monitoring process and benchmarks in evaluating progress.

Responsible staff from municipal departments or organizations should be included in this step.

Throughout this step of the process, it is important to remember what resources the municipality has and will require to achieve the objectives. To complete the process described above, use of the snow card technique may generate innovative responses. This method allows for relatively large groups to become involved in the process. Second, it keeps people from immediately jumping to final solutions, without examining all possible alternatives. Third, it keeps people from over evaluating their ideas and maintains a balance between idea creation and evaluation. Fourth, it encourages people to focus on where they are and where they would like to be. By using the seven-step strategic planning process, a number of potential conflicts may be avoided. Each step provides a filtering process and can eliminate alternatives or visions that are not feasible. In other words, there must be a balance between what the municipality intends to do, what is needed, and what is feasible.

Action Plan

Objective: _____

Tasks	Task Start Date	Task End Date	Resources Needed	Person Responsible

5. Adopting the Strategic Plan Document

The work must now be incorporated into a document to present to the council and the public. To organize the document, chapters could be divided into an introduction and one for each of the seven-step process.

When compiling the elements of the Strategic Plan for presentation to council, community, or funding source, the Strategic Planning Team has to select the proper format and content of the proposal to help assure initial success. Some of these components should include attractive packaging, concise, easy-to-read materials in a logical and comprehensible form. Above all else, it should not be too technical. The Strategic Plan should present itself as an effective marketing product.

Prior to any public meeting, the team should hold a special informal meeting with the council to afford them the opportunity to review the document, ensure understanding and acceptance, and explain the planning process. Although this step is important, the majority of council members should be included in the process itself. Again, the Strategic Planning Team has the opportunity to modify the document to address any issues that were overlooked, to reinvestigate any strategies if required or to address specific concerns of any individual or group of councilors and stakeholders. This final consultation with the public and council should also encourage a greater acceptance of the Strategic Plan. Remember that public meetings require a two-week notice. Prior to any meeting, it may be advisable to brief the members of the press to ensure they also have a full understanding of the document.

For the first public meeting, it is beneficial to invite representatives of all the local media and national press correspondents. They may be approached as observers, moderators, or even participants. It is a good idea to suggest to the journalists that media coverage of the plan is an important factor to its success.

6. Implementation

To successfully adopt the Strategic Plan, the Strategic Planning Team should meet with the primary departmental directors or managers of the municipality to share the action plans and delegation of tasks. Although many of the directors will have participated in the process, a review to ensure acceptance is necessary. In practice, correct implementation means meeting the objectives with the expected results, at the appointed time and with the estimated use of resources.

The various municipal departments or other organizations should complete the final detailed action plans where applicable. Implementation involves more than just well prepared action plans. The key to implementation is to find an appropriate method of coordinating the many individual action plans, while maintaining the "team" concept. The implementation stage has flexibility built into it, because there may be some objectives or action steps hindered by a shortage in financial or employee resources. Therefore, it is necessary that the department or committee in charge of the program respond quickly and effectively to resolve the issue.

The value of assuring appropriate implementation procedures is the institutionalization of the strategic plan. It is critical to develop a firm organizational and financial foundation of support for the strategic plan. Strong linkages need to be made with organizational and programmatic entities designated to carry out the plan.

The implementation process should:

- Continue to use the Strategic Planning Team in an advisory capacity.
- Continue to lobby all departments and external organizations for programmatic support.
- Continue to involve the community in implementation activities.
- Continue to identify new key actors in the community for support.

7. Monitoring and Evaluating

Once council adopts the Strategic Plan and implementation begins, the process is not complete. Because municipalities do not exist in a static environment, strategic planning is a process that adapts to changing local conditions. The monitoring process encourages managers to continually identify new problems and trends, find new solutions, measure progress and develop new objectives as necessary. Evaluation assesses the plan in the longer term and determines whether or not it has met its goals and objectives. Evaluation is a more detailed analytic focus that can be conducted periodically and certainly at the projected achievement date of a project objective. Monitoring and evaluation activities generally help to ensure that projects are effective and on track, justify the costs involved, determine if adjustments need to be made, and assist in promoting the project's success throughout the community.

At this point, the Strategic Planning Team may wish to form a three to five member Monitoring and Evaluation Team to monitor continuously and to conduct mid-term and final evaluations of each goal and objective. Annual evaluations should be presented to Council. The action plans for each of the objectives are the basis from which monitoring and evaluations plans are developed.

7.1 Monitoring

Responsibility

- **Have those identified as responsible for this project participated as expected?**
- **Is additional support required to coordinate the project?**
- **Is additional direction or help required to allow those responsible for achieving their objective more effectively?**
- **Are changes required regarding responsibility for the project?**

Feasibility

- **Has the feasibility of projects now been determined?**
- **Do changes have to be made to projects as a result of the feasibility assessment?**

Resources

- **Are the key people participating?**
- **Are additional key people required to participate at this time?**
- **Are the finances sufficient?**

Timetable

- **Is the proposed schedule being followed?**
- **Have the actions that were identified to be completed at this point in time been completed?**
- **Should the timetable be adjusted?**

7.2 Evaluation

- **Progress of objectives**
- **Achievement of annual objectives**
- **Implementation of activities**
- **Effectiveness**
- **Outcome**
- **Cost - Effectiveness**

For example, did the community open a children's clothing store by the specified date? Is the store attracting local business? If not, why not?

e. Summary

The purpose of this document is to improve understanding of the Strategic Planning Process and provide a potential model for a municipality to follow if they wish to embark upon the process by themselves. As noted previously, the municipality may wish to consider hiring a consultant to guide them through the process and act as a facilitator at various stages. In this case, the document should provide the information to better evaluate potential candidates to best suit the needs of the municipality.

6. MUNICIPAL BUDGETING AND SERVICE DELIVERY

a. Budgeting and Service Delivery

This chapter discusses the important roles that budgeting and service delivery play in the success of a municipality in serving its citizens. These are the key elements of effective financial management and are tools that can help make the most of even scarce resources. Ensuring proper financial management is the most important responsibility of councilors. The primary responsibility in this regard rests with the municipal executive staff and department heads. However, as the elected representatives of their constituents, all councilors are ultimately responsible for ensuring that the municipality's financial resources are allocated according to the needs and aspirations of the electorate. Councilors also have a mandate to ensure that these funds are not abused or wasted. In this regard, it is important to establish proper accountability and control over municipal funds and to carefully plan for the delivery of services.

1. What is Financial Management?

Financial management consists of a number of processes. In general, the following processes relate to financial management in municipalities:

- ***Budgeting:*** Working out what revenue the municipality will get and balancing this with planned expenditures by preparing detailed budget and capital plans and forecasts.
- ***Safeguarding:*** Putting in place controls to ensure that the revenue, capital and assets (such as money, motor vehicles, computer equipment) are safeguarded against misuse, damage, loss, or theft.
- ***Monitoring:*** Monitoring the budgetary and service delivery performance of the municipality through regular reporting, and undertaking corrective action when needed.
- ***Auditing:*** Reporting financial results to all stakeholders by preparing municipal financial statements at the end of each financial year.

The municipality's objective is to guarantee that the highest quality services are rendered at the lowest possible cost for the benefit of all residents, taxpayers, employees, and business owners. A good financial manager is someone who can assist the municipality to achieve this objective of good governance. Councilors should always have the right to discuss, ask questions and make recommendations to the council about the best ways to generate income, to keep costs down, to prevent corruption and to safeguard the assets of the municipality. That is good financial management!

2. The Importance of Effective Financial Management

Effective financial management can help the municipality to transform its local area into a better place in which to live and work. Most councilors and members of the public know what municipal services they would like to have in their area. One of a councilor's greatest responsibilities is approving and regularly monitoring a budget that provides money to implement these aspirations. When councilors formulate policy, they set the broad framework within which decisions and actions are taken.

Without funds to implement the policies, councilors will not be able to "make a difference" or to serve their communities well. This means that councilors should realize the importance of effective financial management, which ensures that there are funds available to implement council policies. This is a great responsibility as municipalities manage large amounts of money and deliver services that affect people's daily lives. Councilors, therefore, all have to make tough budgeting decisions, prioritize spending, and ensure that funds are managed carefully, transparently and honestly.

b. The Budgeting Process

1. The Municipal Budget - The Big Picture

The municipal budget is essentially a plan that states what activities the municipality intends on undertaking in the forthcoming financial year, what each of the planned activities will cost and what income will be necessary to pay for them. The Chief Executive of the municipality (the Chairman of the Council) and the department heads should prepare an annual budget with broad input from the public and the Council and present it to the Council for their approval. The executive department should make sure that the budget is prepared in advance of the new financial year so there is ample time to review it and discuss it. The budget should contain the following elements and basic information, which will be discussed in further detail in sections 2.2-2.5:

- An annual budget for approval by council, including information about operating income and expenditure.
- The implications for taxes, rates and service charges on this income and the related expenditures.
- A capital program, which reflects the source of funding, as well as future operating and maintenance costs for investments into municipal infrastructure (for example, roads, buildings, sanitation improvements). A capital program is a longer-term strategic plan (more than one year) showing what the municipality intends to invest in and improve in the future.

1.1 The Budget Must Be Balanced

A municipality is not entitled to budget for a year-end deficit (having expenditures greater than revenues). Municipal officials may only incur expenditures as agreed upon in the approved budget. A municipality should not carry out its functions and duties without proper budgetary procedures and an analysis of revenues and expenditures. One individual or department in the municipality should be given the primary responsibility for municipal financial management and reporting. They should ensure that:

- A draft budget is prepared at least four months before the beginning of the financial year.
- Allow full access to the budget by the public and interested stakeholders.
- Provide regular financial reports on the status of the budget for the Council and the public on a regular basis during the financial year. A report should be done at least four times during the financial year comparing revenues to expenditures, and preferably monthly. The municipality **MUST** ensure that the budget is balanced at the end of the year.

It may have to either cut expenditures and/or raise revenue during the financial year to ensure that the municipality does not have a deficit at the end of the year.

1.2 Finding Budget Staff

It is important to assign dedicated individuals to the budget planning and service delivery process. Based upon the international experience of others it may be easier to find appropriate staff than you might think. According to *International Budget Project of the Center on Budget and Policy Priorities*:

“It is common for groups to have some difficulty in finding the right individuals to work on budget issues. If one can find individuals with specific training and work experiences in budget issues, that is of course helpful. This could be someone who has worked at the Ministry of Finance, or professionals like civil servants, auditors, and accountants. But groups do not always have such options, and they may be concerned that since budget work can be technically difficult they will be unable to build up their staff. These concerns can be overblown. It is a myth that the only individuals who can effectively conduct budget work are trained economists who have worked in the Ministry of Finance. The director of one of the more experienced budget groups, for instance, has remarked at several international meetings how he was able to find the best people for his organization once he learned this lesson, and that his best budget staff includes individuals with backgrounds in areas such as philosophy. So try to find individuals with strong analytical and communication skills, and trust that over time they can learn about budget issues and become effective.”

2. The Financial Year

The financial year of a municipality runs from January 1 of one year to December 31 the same year. The municipality must prepare a budget for each financial year. The Council must approve this budget before the new financial year begins, after proper consultation with the public, all committees and departments, and other stakeholder groups. In other words, the budget for the financial year beginning in January 2004 must be approved before the end of December 2003. The draft budget should be ready several months before this deadline so that it can be reviewed and discussed by all stakeholders. Councilors should look carefully at the parts of the budget that affect the people in their area. All members of the community must have the right to attend and observe all of the Council meetings where the budget is debated and voted on.

3. Operating Budget and Capital Budget

Municipalities need Two Types of Budgets - Operating and Capital.

Two types of budgets have to be prepared an operating budget and a capital budget. To understand the process of budgeting, it is important to explain these two concepts.

The operating budget deals with day-to-day costs, and specifies what expenditures the municipality will incur and what income it will receive in the financial year. Operating expenditure is the cost of labor, goods and services from which there will be short-term benefit that is, the services that will be used up in less than one year. For example, salaries, wages, repairs and maintenance, electricity, gasoline, and city cleaning services. Operating income is the amount received for services delivered for a short-term period for example, property and land taxes, mine taxes, parking fees, rental of municipal property, and subsidies from the government.

The capital budget, on the other hand, specifies the money set aside for long-term purchases, such as office equipment, motor vehicles, buildings and land that will be municipal assets for more than a year (hopefully for years to come). A municipality's capital budget will list the estimated costs of all items of a capital nature that are planned in that budget year for example, the construction of roads and buildings, and the purchase of vehicles as well as in future years.

The capital and operating budgets are linked. For example, provisions must be made under the operating expenditure of the budget for the repayment of loans to build a new school or to build a road. New assets also require maintenance and generate additional operating costs. These costs must be carefully considered when planning projects.

Another way to pay for capital items outside of borrowing is to set aside some funds each year until enough has been saved to purchase the item. This money is saved in a capital reserve fund. For example, the municipality may need to buy a fire truck, but cannot afford to purchase it in a single year's operating budget. However, it may be able to set aside funds for a few years until enough is saved to purchase the truck outright.

The costs associated with the servicing of loans or funding a capital reserve fund, and with operating and maintaining the assets, are regarded as the impact on the operating budget resulting from capital spending. A useful distinction is that anything which the municipality buys or builds that can be used for more than one year should be considered as capital and should form part of the capital budget. If it is used for less than one year it should form part of the operating budget. A further useful distinction is that operating expenses are financed from operating income, while capital expenses are typically financed from loans or capital reserve funds.

The capital budget and operating budget have to be prepared and discussed together. This is important because planned expenditures that are included in the municipality's capital budget will impact on the operating costs and income needed to operate the municipality's assets efficiently. For example, if a municipality decides to purchase a fire truck, the money used will come from the capital budget, but the money to pay for the salaries of additional staff to fight fires will come from the operating budget. As will the contributions to the capital reserve fund in the years prior to the purchase or the interest and loan repayments in future years if the municipality decides to borrow the money to purchase the truck.

Because capital expenditures impact the operating budget, it means that less money will be available in future years to undertake additional capital projects or other operating expenses will have to be reduced or revenue will have to be increased.

4. Main Sources of Operating Budget Financing

The municipality derives most of its operating income from land and property taxes, mine taxes, rental of municipal property, service charges for water, electricity and other municipal enterprises, and subsidies from the government. When approving the budget, Councilors must decide whether to increase property rates and/or service charges. They must balance the need to incur additional expenditure with affordability considerations, as ratepayers and citizens may not be able to pay higher rates and charges. Councilors should ensure that the municipality does not plan to spend more money than it can realistically expect to receive in revenue. Conversely, Councilors and the municipality should be constantly searching for new sources of revenues so that the scope of municipal services and the quality of life of its citizens can be improved. There are four main types of revenue sources that provide the foundation to pay for expenditures.

4.1 Taxation

All local taxes that are allowed by law should be reviewed and studied by the municipality. People and businesses that own fixed property in the municipal area land, houses, factories, and office blocks are charged property and land taxes. There are a variety of taxes that are allowed. In general, taxes are used by the municipality to pay for general services, which cannot easily be charged to a specific service user. For example, the costs of roads, parks, or education are for the use of all the citizens of the community.

4.2 Service and User Fees

For specific services that can be charged directly to a house or factory, the principle of "user pays" should be adopted. In other words, where the exact usage of the service can be measured the cost of the service is charged directly to the person who actually uses the service. This is the case with services such as water and electricity. Also included here would be the revenue for the rental of municipal property, which may be a significant source of local government revenue. However *prior to* the long-term rental (or sale as mentioned in paragraph 2.4.4) of any municipal asset occurring it is very important that proper procedures FIRST be established to ensure that the municipality receives the FULL market value for the lease (or sale) of the asset.

4.3 Intergovernmental Transfers and Donations

Presently the largest source of revenue for municipalities is the money that is provided by the State government each year. This is considered an intergovernmental transfer of funds from the State to the municipality. Nationally the State government provides approximately 50% of all local government expenditures. Other donations and grants may also be considered part of this type of revenue source if it can be reasonably counted on to be there on a long-term basis.

4.4 Non-recurring Revenue Sources

These are revenue sources that only occur once, such as the sale of municipal assets like land, buildings, or mineral rights. As mentioned in paragraphs 2.4.2 it is very important that proper procedures FIRST be established before any municipal asset is sold or disposed of. Other types of donations that are one time only in nature should also be included here. It is very important that one-time revenues not be used to balance the annual budget. It is a best practice to set aside one-time revenues to create a reserve fund (or a so-called "rainy day" fund) to provide financial protection against an unexpected expenditure such as the sudden failure of a community artesian well, or perhaps a natural disaster. Often the proceeds from the sale of a municipal asset are required to be set aside to be used only other municipal capital needs. For example, the municipality may choose to sell off a parcel of land and subsequently use the proceeds for construction of a new school.

2.5 Main Sources of Capital Budget Financing

5.1 External sources

Sources of funds for capital needs include the following:

External loans: To finance capital assets, municipalities often make use of loans from financial institutions. However, this is a very expensive form of financing due to the relatively high interest rates. It should only be used to finance the purchase of major capital items such as roads, bridges, water and sewerage purification works, and electricity reticulation works; and only when a long-term recurrent source of revenue has been identified to pay off the loan.

Leases: A number of financial institutions specialize in leases. These institutions acquire assets and then lease them to municipalities. At the end of the lease period the municipality can acquire the assets at a nominal fee should it choose to do so. Municipalities may also use this method to raise capital by entering into a leaseback deal, offering their existing uncompromised assets as security.

Government grants: The advantage of this source of financing is that the purchase of the capital item will not be charged to the operating budget. However, this is not a significant financing resource for municipalities as the State government itself has limited financial resources.

Donations and public contributions: Local and foreign donors may sometimes donate a capital item or money to be used specifically for the purchase of a capital item. They may want their sponsorship to be publicly acknowledged. The advantage to the municipality, in this case as well, is that the purchase of the capital item is not charged to the operating budget.

Public-Private Partnerships (PPPs): Capital costs can be paid for by means of partnerships between the private sector and the municipality. In most cases the private sector partner will have a profit motive relating to the services being financed, so the terms and conditions must be carefully defined in order to protect the community's interests. For example, a corporation that wishes to mine minerals locally may be willing to build a regional road network in order to improve access to the mine or to gain access to municipally owned land for mining purposes. The advantage of this type of financing is that the capital requirement and sometimes the maintenance is financed by the partnership, and thus has no effect on the capital and operating budgets. Another benefit is that the municipality may be assured of high-quality service and commitment from the partner due to a vested interest in the success of the business enterprise.

5.2 Internal Funding Sources

Capital Reserve Funds: Many municipalities have internal "savings funds" such as a capital reserve fund as mentioned in paragraph 2.3. Most of the surplus funds (funds that were not expended) at the end of a financial year are usually appropriated to specially created funds like this. The more internal funds it has, the less dependent a municipality becomes on the capital market. As previously mentioned in paragraph 2.4.4, a capital reserve fund is a very good use of one time revenues such as the sale of a parcel of municipally owned land.

Contributions from revenue: The total cost of a capital item can be paid for from the operating income in the year of purchase. This financing source is known as "contributions from revenue". In most municipalities, this source of financing is used to pay for smaller capital items, such as one or two pieces of furniture and equipment. As no interest is payable, this source of financing is considerably cheaper than external or internal loans, but not many municipalities can afford to finance their total capital budget from operating income. Additionally, a municipality may set aside funds for several years from the operating income in the operating budget to save up the money in a capital reserve fund until it has enough money to purchase the asset. (see paragraph 2.3)

c. Approving the Budget

1. The Importance of the Budget

The approval of the budget is one of the most important tasks undertaken by Councilors. The reason for this is that the budget will:

- *Display the vision* by reflecting the council's policies and objectives, which should be included in an integrated development plan;
- *Show how much it costs* by specifying the taxes, fees, and service charges that the community will be required to pay their municipality; and
- *Set it in motion* by authorizing municipal departments to incur the expenditure indicated in the budget.

Therefore, it is important that councilors carefully consider the budget and its implications before it is finally approved. Councilors have to help decide which are the most important priorities of the municipality, how much money should be allocated to each of these, and how to raise the necessary funds to pay for it.

This may seem like an overwhelming task because of the sheer volume of information contained in the draft budget, but once it is organized in a standard format it becomes manageable and understandable.

2. Factors to be considered

Prior to approving the budget, councilors need to consider a number of factors:

- income and expenditures
- surpluses and deficits
- legal considerations
- available resources
- tax rates
- affordability
- impact on business
- the extent of cross-subsidization
- ability to collect revenue
- comparisons with inflation
- cash flow
- comparisons with the private sector and other municipalities
- overall expenditure
- value for money

These factors are discussed in more detail below.

2.1 Income and Expenditure

An important part of the budget approval process is a review of the various line items of income and expenditure. Councilors should question any amounts which do not appear reasonable or which are significantly different to the previous year's budget. However, councilors need to be careful when requesting changes to the various items. Reductions or increases in expenditure can result in departments not being able to fulfill their activities. For example, if the street cleaning department's budget is changed by reducing expenditures on brooms and refuse bags, employees may not have sufficient equipment to undertake their responsibilities.

2.2 Surpluses and Deficits

A deficit occurs when expenditures exceed income during the financial year. A surplus is the opposite of a deficit and occurs when income exceeds expenditures. **The most important financial responsibility that municipal officials have is to avoid a deficit at the end of the financial year.** It is very important to make corrections throughout the year to ensure that the municipality ends the financial year with a balanced budget (see paragraph 5.1, "The Necessity for Corrective Action"). Municipalities should keep records of all surpluses and deficits that have occurred each year, from the date the municipality first began operating to the latest financial year-end. If the total of all surpluses in previous years exceeds the total of all deficits, there will be an *inappropriate surplus* money that was allocated but not used.

However, if the total of all deficits in previous years exceeds surpluses, there will be an *accumulated deficit*.

2.3 Legal Considerations

The "Law of the Azerbaijan Republic on the Basis of Municipal Finance" governs the municipal finance and budgeting practices of municipalities. Legislation presently prohibits municipalities from budgeting for deficits. In other words, it is illegal to plan to spend more than you plan to collect. Another legal requirement that needs to be considered by municipalities is the budget for next year must be approved by December 25th of the current year. The municipality must also take into account all of the budgetary guidelines required in the legislation as well as those that are issued by the State government. These guidelines state the maximum and minimum rates of taxation, the calculation for the amount of intergovernmental assistance (see paragraph 4.3 above) expected from the state government, as well as other important requirements. Municipal budgets must also be approved in accordance with the rules defined by the individual municipal charter.

2.4 What are the Available Resources?

The first step in preparing a budget is to estimate the income that will be received. Once this has been done, a comparison to budgeted expenditures should be estimated. Budgeted expenditures must be equal to or less than the budgeted income in order to avoid eventual insolvency. However, one of the starting points when a municipality prepares its budget is a determination of how much it will cost to deliver services and undertake planned activities. Once the municipality has determined the budgeted expenditure, it can be compared to the revenue requirements to support it. If councilors are either reluctant or unable to increase estimated income to prevent a deficit, then estimated expenditures must be reduced. It is bad financial management for estimated expenditures to exceed the budgeted income. In other words, municipalities should not plan to spend more money than they will receive in income, nor should they rely on one-time sources of revenue.

2.5 Setting the Tax Rates

The law defines the minimum and maximum tax rates on land, property, and mining taxes. However the municipality has broad authority to determine the rate of taxation within that range. The Council must approve the appropriate level of taxation within the range. It is important that the Council note that as *spending increases, the necessary rate to support it also increases*. Total estimated expenditures included in the budget have the biggest impact on the rate. If estimated expenditure is significantly increased by the Council, then the applicable tax rates must also be increased significantly.

2.6 Affordability

Tax rates are a form of taxation that is legally enforceable. If a ratepayer does not pay their tax, the municipality is legally entitled to collect the tax. The municipality **MUST** fully and fairly enforce the collection laws. In order to avoid a situation where taxpayers are not able to pay their taxes, it is important for councilors to choose an affordable level for rates before approving the budget. Affordability also needs to be carefully considered in respect of other service charges. If essential services such as electricity, water and sanitation are too expensive, it is unlikely that the community will be in a position to either utilize or pay for these services.

2.7 Impact on Business

Tax rates and service charges can be a significant cost to a business. If rates and services charges are very high, businesses may relocate their business to other municipalities where these charges are lower. Conversely, low tax rates and service charges can help attract businesses. However, most often a well-managed community with good public services and education is the best attraction for business and industry.

2.8 Cross-subsidization

Cross-subsidization is the extent to which one group of ratepayers pays additional amounts so that other groups of ratepayers can pay a lesser amount. The extent of cross-subsidization can be a difficult factor to consider when approving the budget, but should definitely be taken into consideration in the budget process. Taxpayers who own properties that have a high value pay more taxes than taxpayers who own property with a lower value, even though all taxpayers receive the same level of service from the municipality. Sometimes there can be taxpayer resistance if some believe that their taxes are being used to provide services to other members of the community who pay little or no taxes. Cross-subsidization is particularly difficult to apply with basic services like electricity, water and sanitation, especially if a standard rate system is used. In an attempt to find a solution, some municipalities have decided to apply a structured rate system for utilities where the fee is based on usage those who use more of a service will pay more per unit; those who use a smaller quantity of the service will pay less per unit. In other words, low consumption attracts a low, subsidized rate. This system applies the principle that members of the community with higher incomes will use more of these services than the community's lower-income members.

2.9 Ability to Collect Revenue

It is relatively straightforward to estimate income when preparing the budget. It is more difficult to collect that income once it has been billed to consumers and taxpayers. If revenue is not collected, municipalities will not have sufficient cash to undertake their planned activities. There are several factors that impact on the ability to collect from debtors that need to be considered when preparing the budget including:

- *Ability to pay.* Can community members afford to pay for services provided by the municipality?

- *Clear policy on non-payment:* Does the municipality have and implement a clear policy in respect of the non-payment of taxes?

It is bad budgeting and poor financial management to make estimates of income that councilors know will not be collected. Councilors cannot expand and provide quality services if the community is not willing to pay for them.

2.10 Comparisons with Inflation

It is common practice to make comparisons with the present rate of inflation when faced with increased prices. If inflation is going up goods and services will cost more at the end of the next financial year than this year. Taxpayers and other consumers may assess the reasonableness of increases in rates and other service users fees by making comparisons with the official rate of inflation.

2.11 Cash Flow Requirements

Before approving the budget, councilors should consider whether there would be sufficient cash flow to finance the activities of the municipality on a week to week basis. Cash revenues must be managed on a weekly and even daily basis to be sufficient to pay for the payroll costs and bills when they become payable. Some municipalities make contributions to a working capital reserve money set aside for use at times when no cash will be received. Other municipalities prepare cash flow budgets, which set out an estimate of the amount of cash needed to finance expenses. If it appears that there will not be sufficient cash, the following options are available:

- Increase estimated income.
- Reduce estimated operating expenditures.
- Suspend the capital budget until the cash situation improves.

2.12 Comparisons with Other Municipalities and the Private Sector

One of the important factors when approving the budget is to compare income and expenditures with both other municipalities and the private sector. It will be easier to make comparisons about income in the second, third, and subsequent years of operation when the municipal government has both the experience of previous years to look back, as well as the opportunity to improve revenue generation and collection. In respect to other sources of income, a municipality's service charges can more easily be compared to those of other municipalities than comparisons to their tax rates, which are more dependent on the value of the assets or activity being taxed. By what percentage of total revenues (or expenditures) each resource represents is a very valuable method of comparison between municipalities for both income and expenditure.

It is also important to make comparisons in respect to expenditures. For example, the calculated cost for the municipality to pick up trash at each household could be compared to a contractor in the private sector or to other municipalities. If the municipal cost is higher than that of a private sector contractor, the Council could ask the relevant department to investigate the difference and eliminate inefficiencies.

Alternatively, a decision could be made to privatize or outsource the trash collection function.

2.13 Overall expenditure allocations

Councilors should have information on how expenditures are allocated among the various departments. They will be able to use this information to ensure that sufficient funds are allocated to the services they believe are important and part of the council's overall vision.

2.14 Value for money

Value-for-money assessments and performance measurements (see Section d. below) relate to the extent to which an organization's manpower, materials and equipment resources are used in an economic, efficient, and effective manner. Councilors, department heads, and staff should strive for value for money and performance improvements at all times by considering whether there are better ways to perform services and to achieve policy objectives.

3. Capital Budgets: Additional Factors to Consider

A few additional factors need to be considered when approving the capital budget. These include long-range strategic planning and maximizing use of capital.

3.1 Strategic Growth and Development Planning

A capital budget should be a long-range plan not only to meet the immediate capital needs of the municipality, but also to plan for the future needs of the community. Areas of growth should be both addressed and planned for. Where are the population, agricultural, or industrial areas growing? How do we meet both their present and their FUTURE needs? Where do we encourage growth? How do we provide infrastructure to those areas? What type of infrastructure roads, electricity, schools, water, sewerage are needed? These questions this *visioning* - should be considered by the council when considering a capital budget. A capital budget plan should be a medium to long-term plan preferably a five-year plan - to address the communities long term needs. Keep in mind that most capital improvements will require an increase in future operating budgets to either maintain or to operate the new improvement. For example, more teachers may have to be added when a new school is built or more equipment would be needed to maintain more kilometers of roads. These are some of the strategic planning decisions that must be considered by the municipality executive and the council in the review and approval of the capital budget plan.

3.2 Ensure the Maximum Utilization of Capital Investments

When approving the capital budget, councilors should consider the planned utilization of the capital items. In certain circumstances the council may be asked to spend significant amounts on capital items that will not be fully utilized. For example, providing a new road to a rural area may be very costly and may not be very well utilized. The council may decide that this project is not as important as the need to improve sanitation services in some other more densely populated regions.

These are the types of cost utilization decisions that the council should make in reviewing the capital budget.

d. Monitoring Performance

The Council is responsible for more than approving the budget. Monitoring the financial and service delivery performance of the municipality's executive departments is very important to ensure that the budget *plan* that was approved by the Council provides the services that were *planned* for. Successfully monitoring the delivery of services really starts at the beginning of the budget process - when the Council *plans* for what services that they want to provide, and *plan* for how much money they will have to pay for it. Always keep in mind that the operating budget is a *plan* for what services are going to be provided in one budget year and that the capital budget plan is a long-range *strategic plan* of how the municipality is going to grow and be maintained in future years. In planning the budget the council should be sure that the plan systemically identifies the services that will be provided so that they can check (monitor) the progress and performance of the municipality throughout the budget year. Additionally, proper financial and accounting systems should be established at the very beginning of the process (see paragraph 1.2 above, "Finding Budget Staff").

To ensure accountability, transparency, and control in its financial affairs, councilors should monitor finances by periodically reviewing the actual and planned expenditures incurred and income received. This enables them to ensure that departmental heads have adhered to the budget, and to assess the extent to which the planned activities and projects have been achieved. Councilors should investigate cases of non-adherence to the budget and should take corrective action. They should also ask for the executive department to report on outstanding taxes and delinquents and the percentage of collection rates.

Not only is financial monitoring important, the executive and council should periodically assess and evaluate the performance of the programs and services it delivers. Evaluating and reporting on program performance on a routine, publicized basis keeps stakeholders apprised of actual results compared to expectations. There are various ways to evaluate service delivery. One option is to prepare regular reports of key performance measures and to evaluate or review programs periodically in comparison to the measures. Another very effective tool for evaluating a program or the effectiveness of an organization is a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis.

1. Financial Reporting

Accurate and timely financial reporting, readily available to both the public and the council is very important to ensure the support of the community for the budgetary program. An estimated comparison of actual income and expenditure against planned budgeted income and expenditures should be available monthly, and provided as close to the end of the month as possible. For simplicity the report should be prepared in the same format as the budget. A more in-depth financial review

should be available quarterly and a full audit of the entire municipal budget should be conducted annually by an independent outside auditor.

Comparative variance reports can also be used to identify incorrect assumptions that were made when preparing the budget. It is important to remember that differences between planned and actual performance and expenditures need not necessarily be a bad thing. Regardless of the budgeting skills of department heads and staff, it is not possible to prepare exact budgets. Situations may arise which were not anticipated. For example, the rate of inflation may increase far more than anticipated during a budget year so that goods and services cost far more than planned. Regular financial reports enable these incorrect assumptions to be identified so that corrective action can be taken.

Further, timely and accurate financial reports help allow councilors to better understand management decisions. For example; management found that a defective well-head pump was continually failing and required workers to regularly return to repair it. The pump was rescheduled to be replaced in two years in the capital budget plan. However management determined that it was more cost effective to replace it this year, even though it would require that reductions or savings be found somewhere else in either the operating or capital budget. Regular monthly reporting would highlight this change in budgetary priorities to the Council to allow them to more carefully monitor the performance of the budget, as well as service delivery.

2. Revenue and Tax Collections

It is extremely important that revenue and tax collections be carefully monitored. Clear reports relative to collection rates, fee and rental delinquents, and creditors should be provided to the council and available to the public on at least a quarterly basis. It is very important for the municipality to enforce all collection laws fully, fairly, and *transparently*. If municipalities are to be viable, then significant attention must be given to collection and credit controls. Citizens will only have confidence in municipal officials if they know that ALL of the municipal laws are being enforced fairly to ALL of the people. Often it is very difficult to administer the collection of the various fees and taxes. Sometimes members of the community or businesses are temporarily unable to pay. There are a number of steps that municipalities can take:

- The establishment of accurate and efficient billing systems that are based on accurate rates of consumption or assessment.
- The application of fair and appropriate credit control procedures that take into account unemployed or economically disadvantaged members of the community.
- Strict action against debtors particularly those who can afford to pay but choose not to do so.

Remember a municipality that is not financially viable will not be able to provide services, employ or remunerate staff, or pay suppliers.

3. Evaluating Service Delivery

Municipal programs and activities should be periodically reviewed to determine whether they are accomplishing their intended goals and making efficient use of resources. Unlike private enterprise, there are often no simple measures such as profit to evaluate "bottom line" performance. Performance measures, including efficiency and effectiveness measures should be presented in basic budget materials, including the operating budget document and should be available to councilors and the public. Performance measures should be reported using actual data, where possible. At least some of these measures should document progress toward achievement of established goals. For example, the municipality wants to build 6 miles of new roads this year. At the beginning of the budget plan the council established this as a measure of performance for the Road Department. Half way through the budget year, only 1 mile has been completed. Because the council established "6 miles of new roads" as a measure of performance this year, they are aware that there is a problem that needs to be addressed.

Monitoring performance can help plan future budgets as well. Say for example, that the Water Department was to provide a new water service to 20 additional homes this year. However, at the end of the budget year only 15 additional homes have been serviced. This is now important management information that can help the municipality and the council plans for next year. Did the Water Department not have enough staff? Did it cost more per home to provide water than we had planned last year? More formal reviews can be carried out as part of the overall planning, decision-making, and budget process. Regardless of whether the service is provided directly by municipal employees or contracted out to the private sector, the reporting and evaluation process should be similar. Establishing clear measures of performance is essential to the budget process.

4. SWOT Analysis

A strategic plan is necessary for every institution that wishes to achieve its goals, or for successfully completing a specific project. A strategic plan defines the long-term plan of action that the municipality will take to achieve its goals. A *strategy* helps to increase the probability of a project's success and to overcome resistance to change.

A very useful strategic planning tool is a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis (for more details see "Strategic planning" chapter section Needs Assessment and Analysis/Development of Strategic Issues Analysis).

e. Taking Corrective Actions

1. The Necessity for Corrective Action

Monitoring the municipality's financial and service delivery performance provides councilors with crucial management information about the municipality's adherence to the approved budget plan - whether revenue collections are being followed up, if there is sufficient cash flow, and if good financial management is being practiced and

services are being provided as planned. Typically, corrective adjustments to the budget plan have to be made during the course of the year. Remember that the budget plan is only an estimate of what will happen with both revenue and expenditures for the year ahead and things can and do change. For example, a large business tenant has sudden business problems and is unable to pay their rent causing a significant revenue shortfall. Or a huge rainstorm washes out the main municipally owned road requiring an immediate repair that obviously was not planned for. Once sufficient information has been obtained, then appropriate action can be taken by the council. This action can take various forms, including the following:

- Amending the budget;
- Addressing non-performance; and/or
- Following up on collection procedures.

Good budgetary control is essential if the municipality is to be able to fulfill its functions. However, it is possible to amend the budget if unforeseen circumstances do arise.

2. Types of Corrective Action

2.1 Amending the Budget

After obtaining reasons for non-adherence to the budget, the council may decide to approve amendments to the budget. The most common amendments are referred to as a *transfer*. Transfer is the process whereby the unused or underused budget amount of a department or program of expenditure is "transferred" (used) to finance a different item of expenditure. A transfer makes it possible to move money from an area where it is not needed to an area where it is. A transfer can be made between various items of expenditure in the operating budget, or between items in the capital budget. However, it should not be used to move money between the operating budget and the capital budget. Transfers could be used in the following situations:

Financing an unbudgeted expenditure: The council may decide to approve an expenditure during the year that was not included in the budget. The unused budget of an expenditure item can be used to finance this additional expenditure.

Financing over-expenditure: A department may overspend on a certain item of expenditure. The unused budget of other items of expenditure in the same department can be used to finance this. Transfer can also be made between a department that has over-spent and one that has not used its entire budget allocation.

Financing new council objectives: There may be a need to change council objectives during the financial year due to unforeseen circumstances. However, the council cannot increase expenditures without either *reducing* expenditures (likely cutting services) somewhere else in the budget or identifying a *new revenue source* to pay for the expenditure.

The extensive use of transfers should be discouraged as it can cover up budgeting problems or inefficient performance. Councilors need to ensure that good authorization controls are put in place. It is suggested that the council should approve transfers; otherwise they will lose control of the approved budget. However, often the chief executive of the municipality (the Chairman) is given authority to transfer funds *within* a department, but is still required to inform the council and the public in the course of regular financial reporting.

2.2 Addressing Non-performance

When the Chief Executive Officer (and possibly the department heads depending on the governance structure) has not performed as expected in adherence to the budgetary plan (and there do not appear to be good reasons), the matter should be addressed by the council. Credit should be given to those department heads who have delivered the level of service expected and have adhered to their budgets.

2.3 Following up on Collection Procedures

The timely follow-up of tax delinquents and debtors is paramount to ensure that a positive cash flow is maintained. The information received from the monthly and quarterly financial reports should provide the council with the comparative information that will keep them advised of the current situation. If a positive cash flow is not achieved, expenditures must be curtailed so that the municipality is able to meet its weekly and monthly commitments.

3. Timely Management Information

Management reports both financial and monitoring - must be prepared in a timely fashion. If councilors receive information a number of months after the reporting period, it may be too late to take corrective action. Department heads should prepare their reports as soon as possible after the end of the review period - monthly or quarterly. It is important that councilors receive these reports before council meetings so that they have sufficient time to study them.

f. Conclusion

Good financial management based on sound budget practices and the effective delivery of services helps to make the municipality a better place to live and work. Councilors have an important responsibility to their constituents and the community to carefully manage the community's resources. It is no easy task - particularly when resources are so limited. Councilors must strive to find ways to make their municipality more revenue independent and, further, they must communicate to the citizens the importance of making affordable choices. It is essential to communicate the total commitment of the municipal government to building a financially independent and viable system of local government that in the long-term will improve the life of all of its residents.

7. GRANT PROPOSAL WRITING

a. Introduction

Proposal writing is more than simply writing a proposal. The proposal writing process requires planning, topical and donor research, assessing needs, and developing a strong, credible case for why the particular project or program is worthy of funding.

A successful grant proposal is well prepared, thoughtfully planned, and concisely written. Constructing a grant proposal requires more effort than simply expressing your ideas in written form. The needs for the proposal must be well documented and the concept must be well articulated.

The applicant must research each potential donor's program criteria as well as each particular donor's proposal writing guidelines before beginning to write. Information required includes:

- Areas of interest.
- Past grant awards (amount and type).
- Current availability of funds.
- Review process.
- Deadlines.
- Forms and procedures required.

Requirements differ by donor, and each proposal must be written for a particular donor. The most critical factor is the fit. Your research must tell you whether or not your program or project area (recreation, culture, health) not only matches the donor's interest areas, but you must also know if the special area of interest in health (women, men or children, a specific disease, and/or prevention issue) is also that of the donor.

Community and NGO support for a proposal is also essential. Individuals and/or groups outside municipal government may be willing to support the proposal and assist in its preparation. External organizations can also provide letters of support to attach to the proposal. A useful method of generating community support may be to hold meetings with identified stakeholders to ask for their support, ideas, and assistance.

b. Types of grants

There are many types of grants of potential interest to municipalities:

- *Project Grant.* Supports a specific project or program of an individual or organization.
- *Operating grant.* Furnishes operating expenses for a specific program or project of an
- *Restricted grant.* Supports a particular portion of the project or program

- *General purpose grant.* "Broad-based" support usually given to organizations
- *Start-up funds or seed-money.* Underwrites an individual or organization to establish a new project or program.
- *In-kind donation or service or a "non-cash grant".* Provides an individual or organization material, equipment or services that may be useful to the program or project.
- *Technical assistance.* Non-cash support, such as skills development or other needed service awarded to the grantee. More commonly given to organizations than individuals.
- *Fellowships.* Primarily educational grants awarded to graduate or post-graduate level individuals.
- *Awards and Prizes.* Competitive awards to individuals that reward "accomplishments or achievements." These are presented by the awarding organization and are not applied for by the individual. In some instances there is a nomination period during which an individual may "be able to ask an appropriate" individual to nominate him/her.

c. Proposal Writing

To obtain financial or in-kind support, writing a grant proposal is the primary method. A grant proposal includes information about the applicant, a detailed and well-documented problem statement or needs assessment, clear objectives and well-designed methods to solve the problem or meet the need, an evaluation procedure to know the degree of your success, and a budget that matches the objectives and methods.

All proposals must include a cover letter signed by the municipal chairperson. The chairperson's signature demonstrates credibility and commitment by the municipality to the donor. The letter should include a brief (few sentences) summary of the request and the amount of the request. Cover letters should be typed on letterhead, no more than one page and include a contact name, phone number and address of the organization.

Letterhead

Date

Contact Name
Title
Address

Dear Contact Person:

I am pleased to submit the attached proposal from (Name of Municipality) for a grant of \$150,000 from the (Name of Donor Organization) to renovate an abandoned industrial building for a cultural center in our city.

The Municipal Councilors are very hopeful that your (organization) will act favorably toward our request. We look forward to discussing our proposal with you.

Sincerely,

Council Chairperson

d. Components of a Grant Proposal

There primary components of a grant proposal are:

1. Executive summary
2. Organizational information
3. Needs assessment
4. Project goals and objectives
5. Methods
6. Evaluation
7. Budget
8. Future funding
9. Conclusion
10. Appendices

Discussion of each of the above items includes examples. Please note that the examples may not include all of the information necessary for your particular project or program or about your municipality. They are illustrative only, but do emphasize the necessity for clarity and brevity.

1. Executive Summary

Every proposal, even very brief ones, should have an executive summary at the beginning of the proposal. No more than a few paragraphs, the summary is written after the proposal is completed. Providing a clear, concise overview of the project or program, a summary should include the following information:

- Applicant information.
- Reason for the request. What issue or problem is addressed?
- Goal and objectives to be achieved.

- Activities to be accomplished to achieve objectives.
- Total budget including funds requested, funds already received and future funding plans.

Some donors only read the summary and all donors depend on its clarity to provide an interesting, concise overview of the project. If the grant is funded, many donors use the abstract for reporting purposes and to disseminate information about successful projects.

Summaries, however, are not easy to write, and good summaries require good writing skills that are perhaps more important than the proposal itself. An example of a summary is:

The Municipal Health Department of Y Municipality plans a community health screening, prevention, and education program for seventy-five 18-35 year old women in neighborhood X. Because this neighborhood has the highest rate (over 50%) of post-natal illness, the project will establish neighborhood clinical programs to reduce the number of illnesses by 25% in one year. Participants will be carefully selected and attend twenty educational, prevention, and health screening programs conducted at the clinic, the local multi-cultural center and local schools. Under the leadership of the municipal health director, ten community health workers will ensure appropriate screening and selection through public awareness campaigns, outreach activities, and childcare programs in the neighborhood during programs for mothers. They will also follow-up with the participants throughout the project and at the conclusion to determine whether or not the information supplied and clinic services reduce the number of illnesses by 25%. The Municipality rate of success in other neighborhood clinics and its support and cooperation with local health-related NGOs is a strong indicator of positive results in neighborhood X. The clinic will continue its operations after the one-year period.

The total program budget for one year is \$150,000. Of this total, \$130,000 is requested. The municipality will provide in-kind donations of clinic space, clinic supplies, and the services of the health department director.

2. Introduction

The proposal introduction describes the applicant's qualifications to administer the grant. Use municipal letterhead and include:

- When the municipality was founded.
- A mission statement and/ or current long term goals.
- Past and present major activities and achievements.
- Population size and characteristics.
- Funding sources.
- Local NGO support.

- **Current and past activities in the proposal subject area.**

Keep this information current and include additional information on new proposals that discusses why the municipality is particularly capable of administering the proposed project. This offers credibility in the specific program area. The introduction should not dwell on its organizational history or problems in the introduction. It is a clear, brief discussion of who you are, what you have accomplished, and why you can successfully administer the proposed project. Do not use such phrases as "we think" or "we believe". Offer proof that the donor will believe.

The following is a brief example:

Established in 1999, Municipality Y's mission is to provide quality service to its citizens and create a livable, healthy community. One of our most important goals is to improve the health of women by creating and enhancing the capacity of neighborhood clinics for our growing population of 75,000 inhabitants of whom 30% are women between the ages of 18 35.

The Municipal Health Department has successfully launched two other neighborhood clinics that met their target to improve the health of women. In neighborhood A and B, the women who attended health screening programs and the reduced the number of illnesses during the project's time period exceeded stated targets. These programs continue to operate.

We will cooperate with neighborhood NGOs and the attached letters of support show their continued level of interest. Two of our neighboring municipalities are interested in replicating our model with our technical assistance.

You may consider a few additional sentences about the municipality's unique characteristics.

3. Needs Assessment

This section is the most critical part of your proposal. Its focus is a well-documented description of the need to be addressed and why it is important. The need must relate to the purpose or goals of your municipality and be supported by quantifiable data that explains why the problem or project is necessary for your citizens not your municipal organization. The needs assessment enables the donor to learn specifically about the issue and the evidence that supports the need for the project. It ensures that the applicant understands the problems, can address them, and convinces the donor that the need is worthy of their attention.

A common problem in the needs assessment section is the use of "circular reasoning". For example:

"The problem in this community is that it has no health clinic."

The solution to the problem is too often a simple reversal of the problem statement that states:

“The goal of our project is to establish a health clinic.”

Establishing a health clinic does not, by itself, address the specific health problems and educational needs of the citizens. There is no information about the problem or health need that is the primary reason to establish a clinical program for citizens.

A needs assessment must include:

- **A clear assessment of the need or problem stated in terms of citizens.**
- **Statistical and qualitative (from citizens) data about the problem.**
- **How data was collected.**
- **Support from experts.**
- **Evidence that the problem can be reasonably handled.**
- **No assumptions.**
- **Information that it logically follows and relates to the purpose and goals of the municipality.**

An example is:

According to survey data from the targeted population of neighborhood X, the number of post-natal illnesses of 18-35 year old women has increased by 20% over the last two years. Knowledge of the problem is also evidenced by including data from the city's only hospital, which indicates a 40% increase in this population in the last year alone.

Discussions with hospital and health clinic professionals and interviews with clients served by other neighborhood clinics show that targeted clinical programs can dramatically decrease the number of illnesses, hospital admittances, inability to care for children and family, incapacity to work outside the home, low productivity and poor level of knowledge about health issues.

To reduce the number of ill women who currently have no choice but to go to a hospital as a last resort, a more accessible and less expensive neighborhood health clinic can focus on prevention and education programs and health screening for this population group.

4. Project goals and objectives

The goal of the project is the long-term solution you wish to achieve. Goals are broader statements that are realistic, but are stated in general rather than specific terms. For example, a goal statement might read:

“To improve the long term health of post-natal women in neighborhood X.”

Project or program objectives are outcomes or results. They are not the activities or tasks required to achieve them. Objectives are SMART or specific, measurable, achievable, realistic, and time bound and tell the donor:

- **Who is**
- **Doing what**
- **By When**
- **By how much**
- **How will it be measured**

All proposals have more than one objective to solve the problem and are always stated by using action oriented words that can be measured such as increase, decrease, and trained. One example may be:

"At the conclusion of the year long project, five health care clinical workers will provide knowledge and skills to at least twenty first trimester pregnant women about the basic requirements of pre-natal health care including: 1) diet and environmental restrictions, and 2) nutrition requirements. Pre and post assessment tests will be given at the outset and conclusion of the project to determine knowledge and skills gained."

5. Methods

The methods' section details the step-by-step actions or tasks that, if completed, will achieve the objectives. It is a plan of action of how the objectives will be achieved. All methods should be clear, understandable, justified and logically flow from the needs and objectives. For projects and programs, this section begins with a description of the overall approach, its relevance, effectiveness, and innovativeness. For research projects, the design, population sample, instrumentation, statistics, and data analysis methods must be described. Also, if human or animal subjects will be used, plans for their use and care must be detailed, as well as reasons for why they are needed.

The applicant must State precisely how and why the chosen activities or tasks will fulfill the project's objectives and solve the needs/problems discussed. A detailed description of what the tasks are, in the order they will occur, who will do it, when it will be done, and how you know it is done is required. An action plan can be attached as an appendix that clearly lays out each activity, the sequence, and when it will take place.

Staffing/Administration

The number of staff, their qualifications, and specific assignments should be also described in the methods section. Details about individual staff members involved in the project can be included either as part of this section or in the appendix depending on length restrictions and donor requirements. Staffing may refer to volunteers or to consultants, as well as to paid staff. Salary and project costs are influenced by the qualifications of the staff.

The following action plan will give you an idea of how to order the tasks to achieve each objective. These plans may be included in the appendices, but should also be written clearly in narrative form.

Action Plan

Objective: Five health care clinical workers will provide knowledge and skills to at least twenty first trimester pregnant women about the basic requirements of pre-natal health care including: 1) diet and environmental restrictions, and 2) nutrition requirements.

Tasks	Task Start Date	Task End Date	Resources Needed	Person Responsible
Recruit and hire 5 workers with proper knowledge and skills	October 2003	November 2003	Salary funding Advertisements for radio, TV, newspaper, and posters	Human resource dept. & project director
Workers to research knowledge and skills required for training women in diet and nutrition	November 2003	January 2004	Resource materials, internet access, Interviews	Project director and lead health care worker
Prepare training plan	January 2004	February 2004	Training guides, reference materials	Health care workers, training consultant
Identify and recruit 20 women to participate who will commit to training workshop requirements	February 2004	March 2004	Advertisements for radio, TV, newspaper, and posters. Consultations in hospitals and in women's community groups	Project director and health care workers
Develop pre and post tests	February 2004	March 2004	Testing Consultants	Lead health care worker
Administer pre-testing	March 2004		Testing materials, room	Health care workers and testing consultants to evaluate
Conduct Training	April 2004	June 2004	Materials, room, flipchart, markers, training agenda	Health care workers
Administer post-testing	July 2004		Testing materials, room	Health care workers and testing consultants to evaluate

6. Project evaluation

An evaluation plan is built into the proposal and must show potential donors that the municipality and the project are serious about evaluation. Evaluation is also a sound management tool. Like strategic planning, it helps refine and improve the project. An evaluation is often the best means for you and others to learn from your project experience.

There are two types of formal evaluation. One measures the product; the other analyzes the process. Either or both may be appropriate. The approach will depend on the nature of the project and its objectives. For both there is a need to describe the manner in which evaluation information will be collected, which will collect it and how the data will be analyzed.

Evaluation should include:

- 1. Plan for evaluating whether or not objectives are achieved.**
- 2. Plan for evaluating the process.**

This section should discuss the following questions:

- How will the applicant know whether the desired outcomes were achieved?**
- How will the effectiveness of the activities be measured?**
- Who will be involved in the evaluation and how will the report be used?**
- What records and information will be kept to continue to measure the project's progress?**

SAMPLE EVALUATION PLAN

Objective	Data to be Gathered	Specific Measure	Data Collection Procedure
Five health care clinical workers will provide knowledge and skills to at least 20 first trimester pregnant women about the basic requirements of pre-natal health care including: 1) diet and environmental restrictions, and 2) nutrition requirements.	Pre and Post Test Results	Knowledge and skills gained as a result of workshop	Test administration and analyses
	Monthly Follow up	Knowledge and skills gained as a result of workshop Medical care requests/hospital admittance/clinic requests Tracking the subject's progress over a one year period	Monthly follow-up interview questionnaire Permission from women to gather data from hospitals and clinics Diet journals kept by participants
	Hospital admittances/ Clinic attendance	Medical care requests	Permission from women to gather data from hospitals and clinics
	Number and type of illnesses reported	Medical care requests	Permission from women to gather data from hospitals and clinics
	Diet and Nutrition changes		Diet journals kept by participants

7. Budget

This section describes the amount of financial support required for completion of the project. It includes how and when funds will be spent in order to accomplish the objectives. Dependent upon the donor's preferred format, this may be incorporated within the text of the proposal, or attached as a separate document.

The proposal budget may be as simple as a one-page statement of projected expenses or may require a more complex presentation. It should include a definitive line-item budget for all direct costs, and administrative or indirect costs, unless specified otherwise by the donor. The extent of individual cost items should match the scope of the project, reflect real or estimated cost burdens, and not be inflated. Each major cost item should be accompanied by a narrative explanation of the basis of costs that avoids jargon. Cost contributions, either "in-kind" or money, may be required to be explicitly identified by some donors.

For a multiple year project, a detailed budget sheet should be provided for each year, plus a consolidated or summary budget page totaling all cost categories and any revenues generated by the project.

Expense Budget

The expenses should be divided into three categories:

- Personnel expenses
- Direct project expenses
- Administrative and overhead expenses

Personnel expenses include requested funding for all project workers including employees or independent contractors. If they are employees, list the title, the annual pay rate and, if the person will be working less than full-time or less than 12 months on the project, the portion of time dedicated to the project. If the applicant is using current employees for the project, payroll taxes should be added and fringe benefits such as health insurance. For independent contractors, list a flat fee per day or hour multiplied by the number of days or hours projected.

Direct project expenses are non-personnel or program expenses. They can include: travel costs, printing, space or equipment rental, supplies, insurance, or meeting expenses such as food.

Administrative or overhead expenses are a percentage of non-personnel expenses such as office rent, utilities and administrative costs, such as phone, copying, postage and office supplies. Some donors do not cover administrative expenses. Others request the applicant to charge a flat percentage of direct expenses or an itemization.

Income

All income for a project fits into two categories:

- Earned income
- Contributed income

Earned income is income an organization receives in exchange for the service or product the project generates. Not all projects generate income, and it is important to know what the donor requirements are for the use of income.

Contributed income is divided into two categories: cash and in-kind. The cash contributions should be listed first and indicate whether each item is *received*, *committed*, *pending* or *to be submitted*. *In-kind contributions* are gifts of goods or services instead of cash. They can include donated space, materials or time. In-kind contributions are especially important because they may indicate the types and range of community support for the project.

Budget Narrative

The budget narrative explains each line item. It should list each item and explain the purpose even if the numbers appear explanatory.

Supplementary documents

Donors may ask for a number of additional financial documents. The majority of donors require a copy of the letter declaring tax exemption status, a financial statement for the last complete fiscal year, including a statement of income and expenses and a balance sheet showing assets and liabilities at the end of the year (some ask for an audited statement, budgets for current and next fiscal year).

8. Future funding

The future funding section predicts the eventual outcome of the grant if awarded and what will happen once the grant money runs out. Most donors do not want to support the same type of projects again. They would prefer to help projects get started and then move on to new issues, knowing that the projects will keep going and be sustainable. Many donors see their niche as funding innovation: i.e. supporting new approaches to old problems or finding solutions to new problems.

It is important to give a short description of how the applicant will secure financial sustainability of the project in the future. The donors are especially interested in the long-term prospects for the project.

9. Conclusion

Every proposal should have a few concluding paragraphs. This includes a summary of the main points of the project narrative and a restatement of the intended project goals or outcomes.

10. Appendices

Additional attachments are usually required at the donors' discretion. Typical appendices generally include:

- 1. Verification of tax-exempt status.**
- 2. Listing of officers and Board of Directors.**
- 3. Financial statements for last completed fiscal year.**
- 4. Current general operating budget and special project budget.**
- 5. List of clients served (if appropriate).**
- 6. List of other current funding sources and uses.**
- 7. Biographies of key personnel or resumes (only if requested).**
- 8. Support letters or endorsements (limited number).**
- 9. Diagrams for equipment or schematics for building requests (if applicable).**

8. ASSOCIATION OF MUNICIPALITIES

a. Introduction

According to Azerbaijani legislation, municipalities may form associations to render mutual assistance and to jointly solve social, economic and cultural problems. Associations may also benefit municipalities by more effectively exercising their rights, promoting their interests, and coordinating their activities.

The Law on the Status of Municipalities and the Provision on Municipal Coordination Boards regulates procedures for founding and operating municipal associations. According to item 1 of the Provision, coordination boards of local self-government are forums created to:

- Discuss issues of municipal competence.
- Develop methods for joint solutions to common regional, district and urban problems.
- Analyze and disseminate best practices and experience.
- Coordinate issues of joint municipal and State activity.
- Prepare proposals to improve the local self-government system.

Local self-government bodies have operated in Azerbaijan since 1999. During this time, a number of practical suggestions have been put forward to encourage the development of municipalities. One of these proposals is to establish a coordinated system of relations among municipalities.

According to current legislation, elected officials, municipal employees and other individuals in the field of local government may create public associations. Participation in coordination boards or associations is voluntary, and a given municipality may simultaneously belong to district, regional and State coordination boards.

At this time, interrelations among newly created local authorities in Azerbaijan are weak. Although some municipalities undertook an initiative to create coordination boards at the regional and city levels and in some districts where boards work successfully, there is currently no association to include municipalities from more than one district or to play a representative role for all municipalities at the State level.

Some associations were established during the second year of functioning municipalities. Created in April 2000, the "Coordination Center of Baku Municipalities" included eleven municipalities and was organized by the municipalities of Bilajari settlement, Khatai and Rasul-zadeh districts. The center's purpose was not only the development of municipalities, but also lobbying to implement the legal powers of newly established local authorities. Although this tactic worked for some municipalities in the center of the country, municipalities located further away from the center did not receive this assistance. As a result, significant differences developed between Baku and regional municipalities at the outset. However, Baku's experience showed that the search for a framework for inter-municipal relationship could be a serious step forward.

During 2001-2002, some regions welcomed the idea of uniting municipalities as a union. In 2001, Barda inaugurated a Coordination Center of Municipalities. The Charter of the Center was prepared in a short period of time, and meetings were held in the Barda city municipal building. Additional coordination centers were established in the Gazakh region and Ganja city, and their Charters were submitted to the Ministry of Justice of the Azerbaijan Republic. The Charters, however, were deemed incomplete or given a low priority by state official bodies and rejected by the Ministry of Justice.

The municipalities of Binagadi, Rasulzade and Ahmadli of Baku city created a "Coordination Center of Baku Municipalities". The first meeting of the Coordination Center was held in April 2000 at the "Baku Press Club" with representatives from 19 municipalities. In 2000-2001, the Center held some meetings, and documents describing its functions were prepared.

In the middle of 2002, Yasamal Municipality of Baku attempted to create a "Baku Municipalities Association". The charter and regulations of the Association were drafted and approved, and sent to the Ministry of Justice for official registration. However, official activity of this association has not yet begun.

b. Municipal right to associate according to international and national laws

The European Charter of Local Self-Government and the laws of most member countries establish the legal basis for associations. As a member of the Council of Europe, Azerbaijan ratified and entered into force the local self-government charter in 2002.

Article 10 of the Charter on Local authorities' right to associate states:

1. Local authorities shall be entitled, in exercising their powers, to co-operate and, within the framework of the law, to form consortia with other local authorities in order to carry out tasks of common interest.
2. The entitlement of local authorities to belong to an association for the protection and promotion of their common interests and to belong to an international association of local authorities shall be recognized in each State.
3. Local authorities shall be entitled, under such conditions as may be provided for by the law, to co-operate with their counterparts in other States.

Azerbaijan's law "On Status of Municipalities" reinforces these entitlements. Article 10 states:

"Municipalities can create associations with the purpose to co-ordinate their activity, and to implement their rights and interests effectively. These associations must be registered according to the law."

Current legislation recognizes the right of legal subjects to associate in Article 10 of the Law of the Azerbaijan Republic "On the Status of Municipalities". Municipalities have the following legal options:

1. **Municipal Associations**
2. **Congress of Local Self-Government Bodies**
3. **Municipal Coordination Centers**
4. **Municipal Unions**
5. **Associations**
6. **Centers for Mutual Assistance**
7. **Clubs, etc.**

Any association of municipalities in Azerbaijan can cooperate by:

1. **Sharing information and information analysis.**
2. **Practical exchanges among the association members.**
3. **Conducting research and educational programs.**
4. **Implementing joint of projects.**

Cooperation can be encouraged in the following areas:

Legislation

- **Country legislation.**
- **Legal basis of local authorities.**
- **Decisions adopted by associations in compliance with the country's legislation.**
- **Decisions adopted by municipalities in compliance with the country's legislation.**

Economy

- **Economic policy of municipalities**
- **Financial and tax policy**
- **Management of municipal property**
- **Right to dispose of municipal lands**

Social

- **Social protection of population**
- **Formation of consumers market**
- **Protection of consumer rights**
- **Health and healthcare**
- **Education, culture, sports, recreation**
- **Youth policy**

City Economy

- **Housing-communal services**
- **Road economy, construction and planting**
- **Inter-municipality passenger transportation**
- **Architecture and city-planning**
- **Water, gas and electricity supply**

Other

- **Civil protection and protection of the population during a state of emergency**
- **Fire-fighting services**
- **Environmental protection, ecology and natural resources**

- Public relations
- Problems of distant municipalities
- Joint establishment of a media

c. International Practice

Municipal associations enjoy success throughout the globe. In most cases, municipalities combine their efforts to solve similar problems and carry out cooperative activities to promote their rights and powers. In developed countries, municipal associations are long-standing. Their increasing popularity among the states of the former Soviet bloc provides excellent examples of their value.

Municipal consortia have no single organizational structure. Associations or consortia differ in names, membership, geographic coverage, and international relations. Although, municipal consortia in various countries may differ from each other in organizational form, world practice shows that there are few essential differences among them.

For illustrative purposes, examples of consortia are included below.

Association of Swedish Local Authorities

The Swedish Association of Local Authorities is ninety years old. Established in 1908, its membership includes all 289 primary local authorities in Sweden. The Association's main goals are:

- To support and develop the local self-government system
- To defend the interests of local self-government
- To promote cooperation between municipalities
- To assist local self-government through service and expert advice

Functional spheres of the Association comprise the following:

1. General municipal policy
2. Community planning
3. Fiscal and personnel policy of municipalities
4. Legislation

The Swedish Association of Local Authorities' highest decision-making body is a congress that meets once every four years. The Congress elects 21 members and an equal number of deputy members who oversee the work of the Association for a four-year period. A managing director administers the organization and answers to the board.

The Swedish Association of Local Authorities finances the organization through membership fees and fees received from consulting services and educational programs. In 1998, the organization earned 350 million Swedish crowns (approximately US\$45 million).

The Association's regional organization consists of 23 county associations that work with municipalities in their respective county.

National Association of Portuguese Municipalities (NAPM)

The National Association of Portuguese Municipalities represents 308 municipalities. Established in 1984, the Association's goals are to improve local authorities, protect their interests, and represent municipalities. According to the Charter, the objectives of the Association are to improve local authorities, protect their interests and represent municipalities. The main objectives are:

- To represent and defend municipalities and municipal sections before sovereign bodies.
- To carry out studies and projects concerning the responsibilities of local authorities.
- To create and organize consulting services and technical legal assistance for its members.
- To provide information to Local Councils and organize training courses for administrative staff.
- To exchange experience and technical administrative information among members.
- To represent its members at international and national organizations.

The structure of NAPM consists of a National Congress, National Council, Administrative Council and Financial Council. All these bodies are elected for a four-year period that concurs with Portuguese local elections.

Municipal Associations in the United States

In the United States, the history of co-operation among municipalities dates back to the beginning of the 19th century when the concept of intercommunity relations was practiced. At that time, geography and travel distance encouraged mutual relations with only neighboring municipalities. Currently, municipalities joint both intra-state and inter-state associations.

Municipal associations exist in all 50 states, and nearly all-State organizations join national associations such as the National League of Cities or the National Association of Counties among others. An excellent example of a State league is the League of Minnesota Cities.

The League of Minnesota Cities represents more than 800 cities and townships in the state of Minnesota. Its objectives focus on:

- Policy development
- Advocacy
- Information-sharing
- Education and training

Founded in 1913, its services include

- Research
- Codification and charter services
- Outreach services
- Representation of cities in State legislature

- Publications
- Information and advice.

The National League of Cities is the oldest and largest national organization representing municipal governments. The League works with 49 state municipal leagues and more than 18,000 towns and cities in those states. Its five objectives are:

- To develop and advocate policies that strengthens and support cities.
- To strengthen the ability of city officials to serve their communities.
- To retain and expand membership by delivering innovative, effective, and quality services.
- To promote the image and enhance the stature and influence of the organization and the municipalities.
- To provide an organizational structure that is flexible, efficient, and responsive.

Municipal Associations in Russia

Despite limited experience in municipal activities, a number of municipal councils exist in Russia today. The Russian Union of Local Governments, established in 1994, is considered the largest. Its objectives include:

- To protect of rights and freedoms of citizens.
- To protect the rights and interests of local authorities at all levels of the state governance.
- To participate in the legislative process and develop of new legal acts concerning local governance.
- To participate in legislative and executive bodies of the Russian Federation.
- To nominate and support of candidates to local and state government bodies of the Russian Federation.
- Facilitation of training for high-level staff of local authorities.

Russian Congress of Municipal Institutions

Registered with the Ministry of Justice as a non-commercial organization in 1998, 43 municipal associations are members of the Congress. The main objectives of the Congress are:

- To establish and develop local government as a political structure and basis of civil society in the Russian Federation.
- To ensure conditions for integrated socio-economic development of municipalities.
- To coordinate inter-state relations of municipalities and municipal associations with federal and regional government bodies of the Russian Federation to protect the interests of local self-governance.

The congress collaborates closely with the following structures:

- Presidential Administration of the Russian Federation.
- Government of the Russian Federation.
- Federation Council of the Russian Federation.

- State Duma of the Russian Federation.

Representatives of the Congress are included in the following councils of Federal State bodies:

- Council of the Russian Federation on Local Self-Government (chaired by the President of Russia).
- Local Self-Government Bodies Council on Social-Economic Reform Issues under the Russian Government.
- Council of Local Self-Government Bodies under the Chairman of the State Duma of the Russian Federation.

The Congress is a founder of a number of mass-media bodies including the following:

- Congress Information Bulletin (weekly publication, distributed to Russian municipalities via e-mail).
- "Municipality" Magazine (in cooperation with the Russian Cities Union).
- "Municipal Government" Magazine (in cooperation with the Ministry of National and Migration Policy).
- Magazines "Local Government" and "Local Economy" are published with support of the Congress.

The Congress carries out activities through its departments in the following areas:

Legal

- Developing and checking of draft laws and legal (normative) acts.
- Supporting local authorities in the area of protecting human rights, and improving their court practice.
- Providing organizational, methodical and legal assistance to local self-government bodies.

International

- Cooperating with the European Congress of Local and Regional Authorities in respect of protection of rights and development of local government.
- Cooperating with local government associations of foreign countries.

Information

- Creating a database on local government issues.
- Establishing a system for information exchange among the Congress, municipal structures, media and state bodies.
- Undertaking editing and printing work.

d. Coalition Building: Principles, Rules and Elements

Municipal associations are types of coalitions that join together two or more organizations to develop common solutions to mutual problems. Regardless of organizational and legal forms, all institutions can, on the basis of mutual trust and business relations, mutually agree to work together to protect common public interests. The assets and skills of more than one organization strengthen their power to be heard.

This section offers some practical steps for municipalities to develop coalitions or associations.

Forming a coalition includes completing the following stages:

1. **Formation**
 - Identify potential partners and hold initial talks with them.
 - Identify mutual problems and interests.
 - Emphasize the importance of participation by discussing the advantages of working together.
2. **Development**
 - Invite other interested parties to join.
 - Develop a charter or by-laws to set the purpose and governance of the coalition.
 - Create an independent organizational structure.
 - Mobilize resources.
 - Create a communication system.
 - Create a database.
3. **Leadership**
 - Establish administrative roles and functions.
 - Set realistic targets and responsibilities.
 - Form working groups appropriate to knowledge and skills.
 - Division of positions among the members or hire staff as needed.
 - Strengthen trust and cooperation among the members.
 - Evaluate initiatives and contributions.

Effective and successful coalitions operate by the following principles:

- Objectives must be clear and fully agreed to by all members. Members with different perspectives should be encouraged to participate.
- Meetings of the partners should be regularly scheduled.
- Executive and decision-making bodies of the coalition should consist of experienced and educated personnel.
- Problems to be solved should be of common interest and correspond with interests of all members.
- Realistic budgets are necessary.
- Relations among the partners should be based on mutual understanding and respect.
- Active participation by all members is expected. Members may be elected to the board and/or assigned to working committees on special issues.
- Coalition should support achievement of member objectives.
- Decision-making procedures should be simple and duly elaborated.
- Organizational by-laws should set forth the number of board members, officers, elections, responsibilities, standing committees, and terms of office.

Forming a coalition requires attention to the following questions:

- Who is the initiator of the coalition? What is the agenda?

- What are the specific interests of the proposed organization?
- What are the membership requirements?
- What are membership advantages to your organization?
- What are membership disadvantages to your organization?

Advantages and Shortcomings of a Coalition

Advantages	Shortcomings
✓ Resolve issues that cannot be resolved by one organization	✓ Limits activity in other project
✓ Offer opportunities to increase your potential	✓ Limits voices of weaker institutions
✓ Efficiency of each organization increases within the coalition	✓ Compromises are necessary
✓ Provide opportunities for identifying new leaders	✓ Funds/profits are rendered to the coalition, not to individual members
✓ Attract new resources	✓ Unfamiliarity with implementing methods
✓ Extend activity arenas	Inequitable balance of power between weaker and stronger members
✓ Increases credibility/legitimacy	

e. Forms of municipal cooperation

Mutual cooperation by local self-government can be achieved by the following:

1. Municipal units
2. Congress of local self-government bodies
3. Coordination centers of municipalities
4. Municipal unions
5. Municipal associations
6. Mutual assistance centers
7. Municipal clubs and etc.

The organizational forms listed above are regulated by legislation. Municipalities can have cooperative interrelations with each other according to geographical location by region and territory, close community relations, their status and other factors.

Municipal associations also can be developed by geographical location, scale and type of co-operation. Examples include:

- Intra-rayon municipal co-operation. This is the cooperation of two or more municipalities that hold similar positions and conduct similar actions within the boundaries of a region.
- Inter-rayon municipal co-operation. Despite different geographical locations, two or three municipalities can define areas of municipal cooperation and conclude mutually satisfactory agreements.

- **Regional municipal units.** This type of cooperation is among municipalities in the same geographical regions.
- **Interregional municipal co-operation.** This form of co-operation is based upon relations between two regions. For instance, the western Ganja-Gazakh region establishes cooperative relations with the northern Guba-Khachmaz region. This co-operation can be called "West-North" club.

Municipal units are established on basis of countrywide municipal co-operation.

f. Purpose of municipal associations in Azerbaijan

1. What is a Municipal Association?

Municipalities need reasons to join together. The reasons are typically related to common problems municipalities' face, professional education, inequitable resources and differing capacities to lobby the central government. In practice, associations can represent a specific type of municipality, such as urban or rural, or support the interests of all municipalities within a country or region of a country. Although geography and size are often primary characteristics, associations may also form due to specific problems or issues local governments may face. These include tourism, environmental protection, joint sports and cultural activities and festivals, and water and sewage systems.

The following reasons to associate are common:

1. **Weakness or lack of legal basis to ensure independent activity of municipalities.**
2. **Neighboring municipalities with shared communication and similar economic structures.**
3. **Restriction of responsibilities of municipalities by official State executive bodies.**
4. **Lack of logistical, financial and other resources and poor information tools.**
5. **Exchange of practices, and comparison of activities, issues and problems.**

The primary purpose of municipal associations is to strengthen local democratic governance. To achieve this goal, municipal associations may work to achieve the following long-term objectives:

- **To coordinate designated activities of municipalities.**
- **To create a database on members and member needs.**
- **To share information and resources with members.**
- **To develop joint policy statements and draft proposed legislation.**
- **To jointly educate and train municipal officials and employees.**
- **To work together on jointly identified common projects and problems.**
- **To lobby for common interests.**

Short-term objectives may include:

- **Joint application for project funding.**
- **Specific lobbying initiatives.**

- Funding of a specific program, joint investment, and cooperative construction work.
- Specific events.

Effective associations have the following important characteristics:

- Strong and broad-based support from its members.
- Credibility with key actors including local government officials, parliament, appropriate ministries, NGOs, the media, and citizen groups.
- Effectively deliver services and information requested.
- Transparent governing system.
- Reliable, regular system of contacting members.

The proper legal authority to establish municipal associations exists in Azerbaijan. The difficult economic problems of municipalities, however, encourage dependence on the executive power of the central government. This dependence does have one advantage: a powerful reason for municipalities to join together.

Legislation does allow each municipality to develop concrete activities within their territories. Often these activities require joint management and include organization of production, employment, resolution of land problems, regulation of water economy, and problems such as water pipe installation that affect more than one municipality.

2. Problems and Perspectives of Inter-municipal Cooperation

A number of factors can prevent municipal cooperation. They include:

1. **Administrative territorial-division.** If there are no changes in the current situation, continued municipal dependence on executive power bodies in districts in which the latter operate and hinder development of inter-municipal cooperation will continue.
2. **Funding.** The majority of municipalities have no financial assets. Lack of financial assets and regular budget shortages affect negatively the development of associations.
3. **Legal-normative gaps.** Although there is a legal basis to establish municipal consortia (Article on "Right to Unite" of the Law "On Status of Municipalities"), further knowledge is needed.
4. **Lack of skills, knowledge and experience of municipal councilors and employees.**
5. **Information gaps.** These gaps are particularly acute between citizens and municipal officials.
6. **Low level of understanding of principles and objectives of local self-governance by citizens.**
7. **Disrespect of local authorities by State officials.**
8. **Lack of interest by a number of municipality chairpersons to create municipal consortia.**

In spite of the problems listed above, confidence in a successful future of municipal consortia and inter-municipal cooperation remains. Effective development requires:

1. Education, dissemination of knowledge and appropriate adaptation of international practice.
2. Implementation of an open and effective association governance system for the benefit of all municipalities.
3. Legal and financial assistance from the State to create and develop municipal consortia.

g. Benefits of Municipal Associations in Azerbaijan

Municipal associations have the following benefits:

1. Joint resolution of financial problems

The majority of municipalities in Azerbaijan function without sufficient funding. Thus, many decisions adopted by local councils cannot be implemented. To change this situation, municipalities rely on three fiscal strategy options:

- Profit earned from economic activity
- Regulation of tax-collection activity
- Borrowing funds

Establishing municipal enterprises and tax collection ambiguities between municipal government and the state discourage these options. Borrowing is also problematic because there is:

- No mechanism to borrow from the state.
- No mechanism to borrow from citizens. It is not stated in the Law on "Financial Bases of Municipalities". Furthermore, citizens do not trust these mechanisms since private banks deceived citizens in the mid 1990s
- Potential option of borrowing from neighboring municipalities. Municipalities can apply to neighboring municipalities for funds. Prior to application, a special mechanism must be developed that may rely on short-term credits from one municipality to another. Although this method can be carried out by private relationships between municipal leaders, the poor financial assets of most rural councils are prohibitive.

Municipal associations can assist by:

- Creating a reserve fund. By member consent, an Association of Municipalities can create a reserve fund, calculate the membership fee required, and establish credit rates. The fee may be established according to the municipal population. The money collected is transferred to the association's bank and used only when decided at a meeting of the membership.
- Ensuring availability for all members. Any member municipality is entitled to apply.
- Offering Interest-free or low-interest credits or loans.

Successfully used in a number of East European countries, these options can be implemented successfully in Azerbaijan.

2. Inter-municipal Economic Development and Business Entrepreneurship

Economic development is impossible without diversified and multilateral economic relations. During the four years of local self-governance in Azerbaijan, most municipalities have, despite limited financial assets, certain economic opportunities like creating municipal enterprises. Knowledge of how to turn these opportunities into municipal economic development requires certain knowledge and skills obtained through programs affording greater economy of scale.

Economic development can be achieved through association activities such as:

- Gathering inter-municipal economic information. Associations need to identify municipal economic potential to strengthen inter-municipal economic relations.
- Analyzing strengths and weaknesses of municipalities.
- Establishing intra-association economic development and business relationships based on identification of needs and analysis. Excellent activities include joint development of medium and small-scale entrepreneurship.
- Directing available financial resources to resolving identified problems. In Azerbaijan, inter-municipal cooperation can assist weaker municipalities.
- Developing and implementing socio-economic programs.

Cooperation among municipalities also creates conditions to extend relationships and receive mutual assistance through business activity and entrepreneurship. They include:

- Small and medium-sized entrepreneurship
- Agribusiness development
- Procurement, preprocessing and production
- Livestock cooperative
- Winegrowing, fruit and vegetable growing
- Formation of the agriculture market
- Investment projects

3. Exchange of Problem-Solving Methods

To strengthen municipalities, innovative problem solving methods are needed. Working with others can generate synergy conducive to solving problems creatively and afford opportunities to share and learn from other municipalities.

Associations can facilitate such exchanges by:

- Discussing positive experiences of member municipalities and leading municipalities worldwide at meetings and other information exchanges.
- Creating an association newsletter, website, and other publications available to all members.
- Creating a special library of municipal practice including the documents or links on the Association's website.
- Arranging educational trips to other countries to learn new ideas and exchange experiences.

- Organizing and conducting meetings, dispute settlements, seminars, trainings and conferences dedicated to municipal problems.
- Creating communication networks with neighboring municipalities to establish and maintain joint infrastructure projects such as road maintenance, upkeep of telephone and radio lines, and transportation linkages among communities.

4. Organization of Cultural events

Large cultural events are often beyond the capacity of a single municipality, and increased attendance is likely if neighboring municipalities sponsor the event together. Municipal consortia can carry out the following activities:

- Organizing music and friendship festivals, sports events, and art exhibitions.
- Conducting joint meetings, discussions, dispute settlements, seminars and conferences concerning the healthcare, environmental protection, healthy education of children.
- Creating teams of voluntary labor.

Local consortia can also disseminate lists of cultural events.

Strength by Demonstrating a Common Position. Because local authorities are unable to fully realize their rights and responsibilities as specified in the law, they are currently losing power in their relationships with local executive bodies. By organizing joint efforts to protect their rights, they can be more influential concerning decisions made about local government.

Opportunities to Reduce Corruption and Bribery. Transparent, powerful municipal associations can influence one another. Consistent, systematic influence and oversight significantly reduces arbitrariness of officials and may reduce corruption and bribery.

Opportunities to Influence Public Opinion. Joint activities can also influence public opinion in both local and national arenas. Dissemination of association information resources such as newsletters and web sites can be effective.

Opportunities to Strengthen "Good" Governance. Good governance exists where principles of the rule of law and human rights are observed.