

QUARTERLY PROGRAM PERFORMANCE REPORT

SECOND QUARTER, 1993

INTERNATIONAL EXECUTIVE SERVICE CORPS

**MULTIPLE BUSINESS SERVICES &
INDUSTRY RESTRUCTURING PROGRAM**

**THE NEW INDEPENDENT STATES OF THE
FORMER SOVIET UNION**

COOPERATIVE AGREEMENT NO. CCS-0001-A-00-2002-00

COOPERATIVE AGREEMENT NO. CCS-0005-A-00-2015-00

EXECUTIVE SUMMARY

Through Cooperative Agreements No. CCS-001-A-00-2002-00 and No. CCS-0005-A-00-2015-00, the International Executive Service Corps (IESC) has been providing enterprises throughout the New Independent States (NIS) with an integrated package of business services to support USAID's development activities in the NIS. IESC has established a solid infrastructure of representation in 8 of the former 12 Soviet Republics to reach out to private and newly privatized companies as well as to defense enterprises undergoing conversion.

The resource of over 12,000 retired U.S. businesspeople with experience in virtually every sector of industry allows IESC to meet the demands for American expertise from enterprises in the NIS. The IESC network of Volunteers is essential for the follow up work done in the U.S. on behalf of NIS clients. IESC experts' knowledge of specific industries, experience with particular products and general contacts in relevant companies greatly accelerates Stamford staff's search for partners, evaluation of markets and gathering of information for enterprises in the NIS. This combination of technical assistance and business development services is crucial for meeting the challenge of encouraging and supporting privatization initiatives, fostering the growth of small and medium-sized enterprises, strengthening existing private sector institutions, increasing private sector investment and promoting mutually beneficial coventures between enterprises in the NIS and Western firms.

This progress report includes all IESC activity in the NIS from April 1 through June 30, 1993. The reports for IESC's traditional program and its industry restructuring program are being combined in this report. These activities have been complimentary to date and are intertwined by default. This quarter, IESC has provided services to 186 enterprises and institutes throughout the NIS and has provided information and support to 111 U.S. companies. (Attachment 1) IESC Volunteers have contributed a total of 1843.5 days of service, at an estimate value of \$945,716. These figures are detailed in a chart attached hereto (Attachment 2).

Please note that IESC's Trade and Investment Services (TIS) has been renamed Business Development Services (BDS) in order to more accurately reflect the services IESC offers. Additionally, the new name for Defense Conversion program is the Industry Restructuring (I.R.) program, a more positive term.

The remainder of this report includes:

- I. Introduction
- II. Program Highlights - Technical and Managerial Assistance
- III. Program Highlights - Business Development Services
- IV. Program Highlights - Industry Restructuring Advisor
- V. Staffing Update
- VI. Financial Report
- VII. Conclusion

Attachment 1 - NIS and U.S. Companies Served

Attachment 2 - Volunteer Days of Service

Attachment 3 - Project Acceptances, Starts and Completions

Attachment 4 - Project Summaries

Attachment 5 - Letters of Commendation

Attachment 6 - Financial Report

I. INTRODUCTION

The representatives of the International Executive Service Corps have been sharing their experiences and contacts with other active organizations in the NIS. In light of IESC's knowledge of economic, political and social conditions in unpioneered regions and its familiarity with the obstacles posed by privatization and restructuring processes, think-tanks, development organizations and USAID funded firms regularly approach IESC for input. For example, in the second quarter of 1993, IESC staff met with RAND, Stanford's Center for International Security and Arms Control, U.S. Chamber of Commerce, and Volunteer Executive Service Team (VEST) Initiative. IESC has also benefited from interaction with other western organizations. Cooperation with OPIC, Peace Corps, Sister Cities organizations, the International Finance Corporation and other AID funded initiatives has resulted in client referrals and introductions throughout the NIS. IESC staff has also initiated coordination of activities, for example, by hosting a meeting for private volunteer organizations and non-governmental organizations in St. Petersburg.

IESC has been promoting its integrated package of services both in the NIS and in the U.S. In the NIS, IESC projects gain significant media coverage and Volunteer Executives are routinely interviewed by local journalists. Country Directors, Country Representatives and Industry Restructuring Advisors visit enterprises, address groups of companies, conduct seminars in marketing and business planning, cooperate and exchange referrals with other private volunteer organizations, develop relationships with associations, and work with chambers of commerce in order to establish contact with firms that need IESC assistance. In the U.S., IESC program staff regularly presents Multiple Business Services to the enterprise directors enrolled in the CIS Managers Program at the Fuqua School of Business, Duke University. In addition, IESC publicizes the capabilities and products of NIS clients through the databases and publications of the Overseas Private Investment Corporation and the U.S. Department of Commerce respectively.

II. PROGRAM ACTIVITY HIGHLIGHTS - TECHNICAL AND MANAGERIAL ASSISTANCE

In the second quarter of 1993, IESC accepted 75 projects in 8 countries of the NIS, started 44 new projects and completed 38. Since the inception of IESC programs in the NIS under the above-mentioned cooperative agreements, IESC has accepted 191 projects and has started 86 projects (Attachment 3). Project summaries for several completed projects are attached hereto (Attachment 4).

A. Russia

IESC accepted 48 in Russia during the second quarter of 1993. Nineteen projects were started and twelve were completed. Program to date, IESC has accepted 97 projects, started 38 and completed 25 projects in Russia.

The following are examples of technical and managerial assistance projects completed in the second quarter of 1993:

VE Manus Gass assisted Konfi, the largest chocolate factory in Central Russia install a modern cost-accounting system and develop an outline for a business plan. Konfi is a 25 year old company that has been profitable for the past three years, earning more than US\$ 5 million. The company is seeking Western capital to expand and modernize its production facilities. There is a very strong market for Konfi's chocolate - the company even distributes its chocolates to Vladivostok.

VE Wouter Van de Bunt helped the Sverdlovsk Air Transport Company (SATC), a fledgling air chartering organization (which gained control of several Aeroflot planes following the break up of the Soviet monopoly), draft a proposal for a joint venture with western companies. This involved restructuring the organizational chart of the company, reviewing existing charter agreements and designing promotional material for SATC. The joint venture proposal was sent to the CEO's of four airlines in the Arabian Gulf area. Mr. Van de Bunt also advised the Sverdlovsk Air Transport Company with regard to separating the Yekaterinburg International Airport from the airline during the privatization of the company.

VE James Basinger assisted the Nizhny Novgorod Regional Government in the development of a brochure designed to attract foreign investment to the region. Mr. Basinger is currently working in the U.S. to find the financing for publishing the brochure.

The first technical assistance project in the Russian Far East was accepted, started and completed this period. The Russian client, Radiopribor, was referred to IESC by a businessman who heard about IESC through the Business Information Service for the New Independent States (BISNIS). VE Varoujan Karentz assessed the various product lines of Radiopribor and developed an international marketing strategy for the company.

B. Ukraine

IESC accepted 12 projects in Ukraine during the second quarter of 1993. Eighteen projects were started and 18 were completed. Program to date, IESC has accepted 63 projects, started 39 and completed 31 projects in Ukraine.

The assistance provided by IESC in the second quarter covered a broad spectrum of industries. For example:

IESC completed two successful projects in the insurance industry in Ukraine. VE Leroy Kennedy worked with the senior management of a private, Kharkiv-based property/casualty insurance company to develop the technical and organizational skills to develop new forms of property/casualty insurance products. VE Stan Mularz assisted the State Commercial Insurance Organization of Ukraine (Oranta) develop a plan for restructuring its business operations to adapt to the transition to a market economy. Marsh & McLennan, which has provided technical assistance and training to Oranta, provided partial funding for this project.

In the agribusiness sector, VE Willard Snider directed multiple small farms in the formation of a private cooperative. VE Snider worked together with another American volunteer from VOCA. This project resulted in the new cooperative obtaining legal status in Ukraine.

In another project, VE Richard Dietrich assisted the Market Reform Center, an important economic policy research organization, in writing grant proposals and developing fundraising capabilities. The Center was founded and is currently directed by Dr. Vladimir Lanovy, Ukraine's former Minister of Economy and Vice Prime Minister. The MRC has conducted important primary research on economic indicators in Ukraine and has researched economic reform policy, privatization and banking reform.

VE Thomas Kiteley provided Kvizan Trust and Investment Company operational information and developed guidelines for training on trust operations in fund markets.

C. Central Asia

IESC accepted 8 projects in Central Asia during the second quarter of 1993. Five projects were started and 5 were completed. Program to date, IESC has accepted 15 projects, started 6 and completed 5 projects in Central Asia. This is the first period in which projects have been accepted from Kazakhstan, Uzbekistan and Kyrgyzstan.

Country Director Susan Johnson has developed close relations with USAID and U.S. Government officials in Kazakhstan. CD Johnson travelled to the Pavlodar Oblast with U.S. Ambassador to Kazakhstan, William Courtney, to meet with small businesses and several state enterprises. During this trip Ms. Johnson promoted awareness of IESC by participating in a press conference and by being interviewed by a local journalist. Contacts from this trip are expected to generate more technical assistance projects.

As in other areas of the NIS, technical and managerial assistance projects cover a wide variety of industries:

VE Robert Sproull assisted the preeminent national institution promoting scientific research in Kazakhstan in identifying U.S. scientific institutes interested in collaboration. The VE also advised the institute how to prepare scientific research

proposals and how to access sources of international funding for scientific congresses and expeditions.

VE Clifford Thatcher assisted a private enterprise in the development of a water bottling and processing business. The VE advised the enterprise, located in Tekeli, Kazakhstan, on international standards of water purity; informed them about the best technologies for extracting, bottling and processing water; helped develop a strategic plan for developing the business; and identified and contacted over 30 potential suppliers and joint venture partners.

VE Dirk Schotanus, an expert with 40 years experience in international and domestic banking assisted Centrbank establish international banking operations. VE Schotanus advised the bank how to organize import-export transactions, open letters of credit and establish correspondent banking relationships (see Central Asia Business Development Services Highlights).

VE Carl Ally advised a newly formed national tourism corporation how to promote and develop tourism in Uzbekistan. The VE assessed Uzbekistan's existing tourist infrastructure and resources, and helped develop a strategy to attract foreign partners and investors to build new tourist facilities.

D. Other Republics

Seven projects were accepted in Armenia, Moldova and Georgia during the second quarter of 1993. Two projects started and 3 were completed. Program to date, 16 projects have been accepted, 3 have started and 3 have been completed.

IESC completed a successful project in the field of banking in Armenia. VE Peter Boyadjian assisted a bank in Yerevan, teaching to fundamentals of banking procedures. Topics covered include credit analyses, profit and loss analyses, and general policy and procedures.

In Moldova, VE Couple Backer completed two projects in the field of education. Mr. Backer delivered a three-month course in cost-accounting to Moldovan managers. Mrs. Backer developed a curriculum and organized courses on teaching business English to two separate private schools in Kishinev.

III. PROGRAM ACTIVITY HIGHLIGHTS - BUSINESS DEVELOPMENT SERVICES

The technical and managerial assistance projects completed by IESC help companies define their problems, design formulas to improve efficiency, maximize profits and stimulate growth. In most instances, clients in the NIS require additional follow up work. In some instances, IESC's clients do not need an expert, but rather they require IESC assistance in learning about global markets, identifying a joint venture partner,

sourcing equipment, gathering information, and gaining financing. Examples of the type of business development services IESC staff in Stamford provides to clients in the NIS is as follows:

- ◆ Conduct partner searches and industry surveys on behalf of NIS clients.
- ◆ Facilitate communications between U.S. firms and NIS clients.
- ◆ Orchestrate exchange of sample products.
- ◆ Compile brief reports to respond to NIS client requests for U.S. market and company specific information and to U.S. requests for NIS client product information.
- ◆ Assist NIS clients in obtaining financing from multilateral lending institutions and banks.
- ◆ Promote NIS clients and products through newsletters, trade journal articles and mailing campaigns.

IESC also counsels prospective investors, joint venture partners or customers on local operating conditions, laws, regulation and procedures for conducting business in the region.

Below is a breakdown by country of business development activity. A majority of the leads come from the Industry Restructuring Advisors. Trips to the area by Program staff and promotional activity in the U.S. have also generated business development activities.

A. Russia

The Project Officer for Western Russia, Miranda Morrison, together with VE Stanley Dorst facilitated the signing of a memorandum between Joint Stock Society CITY and a consortium of companies (including a large U.S. real estate development and engineering company) known as the Mediterranean Group. The memorandum formally announced the formation of a joint venture consortium whose goal is to develop a proposal for the successful implementation and completion of the Moscow International Business Center.

The Project Officer for Central Russia, Dafna Tapiero developed a relationship that resulted in the establishment of a dialogue between a U.S steel importer and a Russian counterpart. Additionally, Ms. Tapiero researched the U.S. market for Russian aluminum alloy wheels, relayed the positive feedback to the Yekaterinburg-based wheel manufacturer, and ultimately encouraged the company to send samples. The sample wheel is currently being routed to all interested importers and distributors of wheels. The Russian client was also informed of trade shows that would be worthwhile attending.

A Volunteer Executive is currently evaluating the lead content of porcelain manufactured in Sysert, Russia. The Russian company is the subsidiary of the largest

hydraulic pump manufacturer in Central Russia. Once the tests are complete, IESC program staff will assist in identifying a U.S importer.

An IESC Volunteer evaluated and provided comments on the design of a food processor manufactured by a former defense plant in Yekaterinburg, Russia. As a result of this exchange of information, the Russian company has drastically remodelled its product and is now focusing on the domestic and third world markets.

All leads generated by the Industry Restructuring teams in Yekaterinburg and Nizhny Novgorod have been forwarded to and publicized by the Department of Commerce's BISNIS publication. Interested U.S. companies are sent brief profiles on Russian enterprises. To date, the products and capabilities of 17 former defense contractors in Nizhny Novgorod have been advertised (See First Quarter Report for the names of enterprises).

B. Ukraine

The Project Officer for Ukraine, Jeremy Singer, has served as the contact point in the U.S. market for Ukrainian clients of the traditional and Industry Restructuring programs. He has facilitated the establishment of a dialogue and an exchange of samples between two U.S. processors of sapphire crystals and a Ukrainian client. Additionally, IESC has introduced several Ukrainian clients to the Center for Technology and Commercialization (CTC), a NASA-sponsored program that links new technologies R&D with American business. CTC is currently evaluating and conducting ongoing dialogue with 3 IESC clients to develop potential research contracts with these Ukrainian companies.

IESC's Industry Restructuring team and VE James Carlyle assisted a Kharkiv-based client develop a sales agreement with a U.S.- U.K. joint venture company for worldwide distribution of microelectronics components produced in Kharkiv.

All leads generated by the Industry Restructuring team in Kharkiv have been forwarded to and publicized by the Department of Commerce's BISNIS publication. Interested U.S. companies are sent brief information on the Ukrainian enterprises.

C. Central Asia

The Project Officer for Central Asia, Theresa Weber, has started a dialogue between a Kazakh producer of bee venom products and a U.S. chemical distributor. Ms. Weber has been doing follow up work related to the sale of an earthquake simulator by an American company to a Kazakh research and design institute. Program Staff has facilitated two follow up business trips to Almaty by the U.S. company.

Through the efforts of a VE and Program staff, a correspondent banking relationship was established between a Kazakh bank and a U.S. bank. The Kazakh bank will use its

account with the U.S. bank in New York as its primary dollar account, which will initially range between \$500,000 and \$1,000,000. The account will be used for the purpose of funding import and payment transactions. This is the Kazakh bank's first correspondent banking relationship with a U.S.- based bank.

IV. PROGRAM ACTIVITY HIGHLIGHTS - INDUSTRY RESTRUCTURING PROGRAM

IESC Business Development Services and the Industry Restructuring Program are inextricably linked - a majority of the recipients of business development services have been clients of the Industry Restructuring Advisors.

IESC Industry Restructuring teams provide on-site management consulting, identify unique technologies with market potential, introduce Western firms to NIS clients, educate NIS companies regarding legal protection (confidentiality agreements), screen potential western partners and conduct workshops on Western business practices. Below are the second quarter highlights of the I.R. program.

A. Kharkiv, Ukraine

In the second quarter of 1993, IESC played an integral role in the OPIC-sponsored Investment Mission to Ukraine, which took place in May 1993. IESC's industry restructuring team in Kharkiv organized all the business appointments for the 13 U.S. companies that came to Kharkiv. Included in the delegation were such companies as Los Alamos Technica Associates, Lincoln Electric Company, transcontinental Fertilizer Company, Citibank, N.A., Honeywell Austria, and Rockwell International. IESC contacted and arranged private business meetings for over 60 Ukrainian companies. Follow up work in the U.S. revealed that there was an even division between those participants who found Ukraine too unstable for investment and those U.S. firms who are willing to assume the risk of doing business now in order to establish a foothold for the future.

Additionally, the Industry Restructuring team addressed numerous business development workshops organized by Ukrainian institutions, such as the Ukraine Legal Foundation, and by U.S. organizations for the purpose of teaching Ukrainian clients marketing and business planning and for promoting awareness of IESC activities and services.

B. Nizhny Novgorod

In April 1993, the first Industry Restructuring Advisor in Nizhny Novgorod, Joseph Walls, completed his yearlong assignment.

The Industry Restructuring Advisors in Nizhny Novgorod meet and share their experiences with U.S. delegations of companies, government officials and media who travel to this progressive region. For example, IESC hosted ten U.S. executives who were visiting Nizhny Novgorod as part of an Atlantic Council delegation. I.R. Advisors Bob Carlson and Charlie Froese met with Ambassador Thomas Pickering and USAID Administrator Brian Atwood at a conference hosted by the Nizhny Novgorod Regional Administration. The work of the I.R. team was publicized in the second quarter through interviews by local newspapers and media, and appearances on BBC World News, CNN's "Reinventing Russia," and Tom Brokaw's NBC Nightly News.

In June, Industry Restructuring Advisors Robert Carlson and Charles Froese introduced the Lazurit Design Bureau to Bob Mallott and Jim McClung of FMC and Frank Tubbesing and John Reilly of McDonnell Douglas. Both groups came to Nizhny Novgorod in response to an invitation from IESC. The I.R. team has targeted a number of Russian companies with innovative technologies for whom meetings with U.S. companies are being planned. (Attachment 5 - Letters of Commendation)

VE James Carlyle completed evaluating the microelectronics technology of the Scientific Research Institute of Measuring Systems (NIIS), a project generated by the Industry Restructuring team. VE Carlyle has returned home and is due to start a U.S. Volunteer Executive project in which he will present the capability of NIIS to semiconductor companies around the U.S.

C. Yekaterinburg

The Yekaterinburg Industry Restructuring Advisors have been conducting seminars and workshops on western business practices to their clients. For example, the IRA team gave a presentation to 100 managers on strategic planning to the VSMPO plant, a titanium manufacturer in Verkhnyaya Salda. The company employs 17,500 out of a town of 50,000. Another example is a presentation Peter Rose and Ray Jasica gave to the Board of Directors of Uralmash, an 50,000 employee conglomerate. The Directors in attendance represented 40 companies in Yekaterinburg.

The IRA team has also participated in U.S.-sponsored conferences in the region, such as the four day seminar sponsored by the U.S. Information Service on topics ranging from attracting investment to municipal services. Participation in this conference resulted in meaningful contacts with business and political leaders from Perm Chelyabinsk and Yekaterinburg.

D. Almaty

Industry Restructuring Advisor Clifford Lyddon has continued efforts to establish and define a viable industry restructuring program for Kazakhstan. Lyddon, along with Country Director Susan Johnson, has met with senior officials in the Presidential apparat to discuss these issues.

IRA Lyddon has been visiting and working with the Aktubroentgen Plant in Aktubinsk, Kazakhstan, a producer of x-ray equipment to design a package of IESC assistance.

Mr. Lyddon has been asked by the U.S. Ambassador to Kazakhstan, William Courtney, to spearhead the establishment of an American Chamber of Commerce.

V. STAFFING UPDATE

Current Summary of Key Program Staff

A. Multiple Business Services Program

1. Management and Field Support

Vice President	Richard H. Shriver (80%)
Manager of Programs and Operations	Christa Capozzola
Project Officer (Central Asia)	Theresa Weber
Project Officer (Western Russia)	Miranda Morrison
Project Officer (Central Russia)	Dafna Tapiero
Project Officer (Russian Far East and Eastern Siberia)	Laura Hoover
Project Officer (Ukraine, Caucasus and Moldova)	Jeremy Singer

2. Country Directors

Kyiv, Ukraine	Keith Mazurek
Moscow, Russia	Walter Ousterman
Volgograd, Russia	Ruth Lundin
Yekaterinburg, Russia	Fred McKinney
Vladivostok, Russia	Don Hansen
Almaty, Kazakhstan	Susan Johnson

3. Deputy Country Director

Moscow, Russia	Andrew Wolff
Vladivostok, Russia	Dina Hansen
Kyiv, Ukraine	Victor Shmatalo
Kharkiv, Ukraine	Nikolai Yakimenko

4. Country Representatives

Donetsk, Ukraine	Anatoly Derminer
Kishinev, Moldova	Luda Fomenko

Moscow, Russia
St. Petersburg, Russia

Novosibirsk, Russia
Saratov, Russia
Bishkek, Kyrgyzstan
Tashkent, Uzbekistan
Tbilisi, Georgia
Yerevan, Armenia

Olga Afanasyeva
Cheryl Ann Sigsbee and Victor
Konovalenko
Tatiana Shevluga
Michael Sokolovsky
Almazbek Chormonov
Alisher Sagatov
Koba Arabuli
Wilén Shiglik

B. Industry Restructuring Program

1. Management and Field Support

Vice President
Director of Strategy and Operations

Richard H. Shriver (20%)
Lewis Madanick

2. Defense Conversion Sites

Kharkiv, Ukraine
Nizhny Novgorod, Russia

Yekaterinburg, Russia

Almaty, Kazakhstan

Arthur Morgan and Frank Strang
Joe Karoly, Robert Carlson and
Charles Froese
Peter Rose, Raymond Jasica and
Fred McKinney
Clifford Lyddon

In this quarter Walter Ousterman was appointed to be Country Director for Moscow. Fred McKinney, Donald Hansen and Ruth Lundin were appointed Regional Country Directors for Yekaterinburg, Vladivostok and the Volga Region respectively.

The Moscow office opened in June 1993. The Country Director, Walter Ousterman, will be assisted by Andrew Wolff, Deputy Country Director. This office will provide the full portfolio of IESC multiple business services and will be responsible for maintaining relationships with USAID, U.S. and Russian Government officials and U.S. companies with representation in the city.

Fred McKinney, formerly Industry Restructuring Advisor in Yekaterinburg, assumed the position of Country Director in Yekaterinburg in June 1993.

Laura Hoover, Project Officer for the Russian Far East and Eastern Siberia, made her second trip to her region to lay the groundwork for the arrival of the Hansens in July of 1993. Ms. Hoover introduced IESC to companies, individuals and government officials at both the local and regional levels in Vladivostok, Khabarovsk, Irkutsk and Krasnoyarsk. Her evaluation of the demand for IESC services and her assessment of the economic potential in each of the latter cities enabled IESC to design the infrastructure for the region.

Ruth Lundin, the appointed Country Director for the Volga Region, will depart for Russia on July 5.

Immediate plans include opening offices in St. Petersburg and Nizhny Novgorod in October 1993. These offices will provide IESC Multiple Business Services. The Country Directors for these offices have not been designated yet. The decision to open offices in the above cities was a result of conversations with USAID.

VI. FINANCIAL REPORT

The traditional IESC program in the NIS started with the signing of Cooperative Agreement CCS-0001-A-00-2002-00, dated February 4, 1992. The initial funding for the program was \$500,000 for the period February 4, 1992 through January 31, 1993. Modification 1 to this Cooperative Agreement, dated September 25, 1992, obligated an additional amount of \$3,389,000 for a total obligated amount of \$3,839,000 for the time period February 4, 1992 through January 31, 1995.

IESC's Industry Restructuring Program is governed by Cooperative Agreement No. CCS-0005-A-00-2015-0, dated May 6, 1992. The initial amount obligated for yearlong industry restructuring activities in Kharkiv, Ukraine and Nizhny Novgorod, Russia was \$1,000,000 and covers allowable program expenditures for the period March 6, 1992 through May 31, 1993. Amendment 1 to this Cooperative Agreement, dated September 30, 1992, obligated an additional \$538,000 to expand IESC's industry restructuring activities to the cities of Yekaterinburg, Russia and Almaty, Kazakhstan. The period of the Cooperative Agreement was not extended in Amendment 1.

During the second quarter of 1993, total estimated expenses for IESC activities under Cooperative Agreement CCS-0001-A-00-2002-00 was \$610,892. Field Support expenses have been estimated at \$180,196, Country Director expenses are estimated at \$130,054 and Project expenses are estimated at \$300,642. Total expenditures for this program to date are estimated at \$1,368,393, with total Field Support expenses of \$434,596, total Country Director expenses of \$358,654 and total Project expenses of \$575,142.

During the second quarter of 1993, total estimated expenses for IESC activities under Cooperative Agreement No. CCS-0005-A-00-2015-00 was \$260,111. Field Support expenses have been estimated at \$28,542, Industry Restructuring team expenses are estimated at \$40,452 and Project expenses are estimated at \$191,117. Total expenditures for this program to date are estimated at \$624,011, with total Field Support expenses of \$210,442, total Industry Restructuring team expenses of \$186,452 and total Project expenses of \$227,117.

The budget details described herein are attached to this report (Attachment 6).

VII. CONCLUSION

IESC's primary goal in the New Independent States is to assist in the development of private sector institutions and enterprises in order to support the complex transformation to a market economy in the NIS. In 1993, Russia's progress in the implementation of privatization created conditions that required an increase in technical and business development assistance programming in that country. In order to meet this intensified demand, and support the increased privatization activity in Russia, by the end of the second quarter of 1993 IESC expanded its network of full service Country Director offices in Russia to include Moscow, Vladivostok and Volgograd. Including the existing office in Yekaterinburg, this brings the total number of American-lead offices in Russia to 4.

The importance of establishing a presence in Moscow goes beyond the demand for technical assistance in the capital city. IESC's Moscow office, managed by experienced Country Director Walter Ousterman, is critical for maintaining contact and developing coordinated assistance efforts with national level government institutions, most important being the Russian privatization agency, GKI. In addition, IESC's Moscow office will allow the program staff to better communicate with the USAID mission and expand coordination with the U.S. assistance program and other multilateral assistance efforts.

As a result of the significant number of enterprises that IESC has provided services to in the New Independent States (186 in the second quarter alone), IESC has developed a strong understanding of the conditions and needs of the growing private sector in the region. IESC is working to refine and improve its approach to delivering technical and business development assistance, based on this continually steep learning curve.

The first challenge facing IESC's Volunteer Executives and program staff has been, and will continue to be, educating client enterprises to the point where they can chart a realistic plan of action within the evolving market economy of the region. The nature of the demand for IESC services, common to all of IESC's client enterprises, is characterized by the need for business plans, product redesign based on consumer demand, information on domestic and international competitors and markets, and management training in the areas of marketing and financial management. The lack of credit severely restricts the capabilities of the new private sector in the NIS; however, enterprises first need enormous amounts of training, technical assistance and information in order to make use of any investment capital and credit.

IESC's network of offices and representatives in the NIS, drawing on the human resources of IESC's databank of executives and professionals, is well positioned to meet these unique demands of enterprises and institutions struggling to evolve and

survive in the NIS today. IESC will work to maintain the program flexibility and responsiveness that it has employed to date, in order to achieve measurable and sustainable results.

ATTACHMENT 1

INTERNATIONAL EXECUTIVE SERVICE CORPS

BUSINESS DEVELOPMENT SERVICES - NIS

NIS Enterprises and Institutes Served

U.S. Enterprises and Institutes Served

<u>NIS Enterprises and Institutes Served</u>			<u>U.S. Enterprises and Institutes Served</u>		
	2nd Quarter '93	Cumulative		2nd Quarter '93	Cumulative
Russia	108	210	Russia	87	133
Ukraine	68	124	Ukraine	20	80
Central Asia	7	17	Central Asia	4	8
Cauc/Mol	3	3	Cauc/Mol	0	0
TOTAL	186	354	TOTAL	111	221



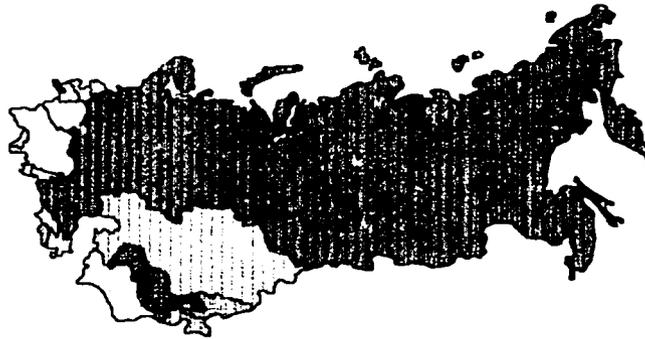
ATTACHMENT 2

INTERNATIONAL EXECUTIVE SERVICE CORPS

VOLUNTEER CONTRIBUTION

Volunteer Days of Service

	2nd Quarter '93	Estimated Value	Cumulative	Estimated Value
Russia	918	\$470,934	1705.5	\$874,922
Ukraine	664	\$340,632	1934	\$992,142
Central Asia	167.5	\$85,928	174.5	\$89,519
Cauc/Mol	<u>94</u>	<u>\$48,222</u>	<u>108</u>	<u>\$55,404</u>
TOTAL	1843.5	\$945,716	3922	\$2,011,986



ATTACHMENT 3

INTERNATIONAL EXECUTIVE SERVICE CORPS

PROGRAM ACTIVITIES (PROJECTS) - NIS

SECOND QUARTER '93

CUMULATIVE

	Acceptances	Starts	Complete	Acceptances	Starts	Complete
Russia	48	19	12	97	38	25
Ukraine	12	18	18	63	39	31
Central Asia	8	5	5	15	6	5
Cauc/Mol	7	2	3	16	3	3
TOTAL	75	44	38	191	86	64



ATTACHMENT 4

SUMMARY OF IESC PROJECT 23541

STARTED: March 24, 1993

COMPLETED: April 12, 1993

CLIENT; ASSISTANCE REQUESTED:

Siberian Development Bank
Novosibirsk, Russia

The client is an international bank which plans to provide investment for the development of capital infrastructure in Russia, and particularly Siberia. They hope to play a major role in the development of the Novosibirsk region.

OBJECTIVE: To assist with the reorganization and technical restructuring of the bank, in order to bring the quality and speed of their transactions and operations up to international standards.

EMPLOYEES: 50

IESC VOLUNTEER EXECUTIVE:

R. Geoffrey Bardsley
Stamford, Connecticut

VE Bardsley retired as the president and CEO of Industrial Indemnity Financial Corporation, a subsidiary of **Xerox Corporation**, concerned with the issuance of various types of financial guarantees. Prior to being appointed president of their subsidiary, the VE held several senior financial management positions with Xerox, where he was responsible for the company's banking relationships in the U.S. and abroad, as well as for investments, borrowings, cash management, and foreign exchange. He began his career with the **Bank of England**, and spent 18 years with various international banks in London and New York. **This was VE Bardsley's second project for IESC.**

IESC ASSISTANCE RENDERED:

Upon arrival in Novosibirsk, VE Bardsley met with the client, and developed a program for reorganizing the bank's structure and operations. He commenced this project by interviewing all key members of the bank's management at least once, reviewing financial statements, and studying descriptions of departmental responsibilities. He then provided a number of specific recommendations with regard to various aspects of management, which were elucidated in a comprehensive report.

These recommendations include the following:

1. Immediately address certain financial problems related to inadequate customer deposits, the illiquid loan portfolio, large operating losses, and inadequate capitalization.
2. Reorganize the bank to free the president to concentrate on strategies rather than day-to-day management of the bank.
3. Strengthen the credit function, set-up procedures for writing-off unrecoverable loans, and establish a reserve for loan losses.
4. Introduce an internal audit program.

VE Bardsley commented that if his recommendations are successfully implemented, the bank's operational efficiency should be improved. In particular, attention to the recommendations on credit management should reduce future loan losses. The VE reported that he was able to complete the extensive assistance required in this project in the allotted time "because of excellent cooperation by the bank's staff."

Additionally, **VE Bardsley promised to contact a major U.S. investment bank to explore interest in a possible mineral and precious metal mining project in Siberia, upon his return to the U.S.**

The client commented, "All of the VE's recommendations have proven his highest professionalism and will be put into practice by the bank management. Extreme politeness and tactfulness by the VE should also be mentioned as they have greatly contributed to the results of the work... The VE's views on the bank have proven to be highly precious to me."

SUMMARY OF IESC PROJECT 22614

STARTED: September 11, 1992

COMPLETED: December 3, 1992

CLIENT; ASSISTANCE REQUESTED:

Lviv Institute of Management

Lviv, Ukraine

The Lviv Institute of Management is the only management training institution in the Ukraine affiliated with a major university, and one of only two such institutes offering comprehensive management education at the graduate level. The Institute offers an intensive one-year MBA program taught by western management professors, and continues to be instrumental in improving the business environment throughout western Ukraine.

OBJECTIVE: To teach quality control and other economic topics to MBA students, local economics professors and upper level managers from Ukrainian companies.

EMPLOYEES: 25

IESC VOLUNTEER EXECUTIVE:

Vernon M. Buehler

Logan, Utah

VE Buehler retired from **Utah State University** as assistant dean of the College of Business. Prior to this, VE Buehler was a colonel in the **U.S. Army** and served as Director, Economic Impact Studies, OSD, Pentagon. Initially, he was a professor for the **Industrial College of Armed Forces**. VE Buehler is best qualified in the area of general management with special emphasis on quality improvement. He has created nationally recognized business-academic seminars, designed economic models for assessing the economic impact on industrial and geographic regions, and co-edited books on management.

IESC ASSISTANCE RENDERED:

VE Buehler taught several courses for the Lviv Institute of Management. These included:

1. A 20-hour course on general economics. This course was offered to Lviv high school students and was intended to help them to understand how pricing and expenditures for marketing and research and development impact demand, as well as investments in plant size and production levels, affect unit costs of production. Students also gained experience in estimating demand, selecting prices, planning the financial outcome from estimated costs and revenues, maintaining records, preparing financial statements and annual reports, personal interactions and leadership.
2. A 40-hour course on macroeconomics. This course was taught to economics professors and emphasized critical concepts that will be used by the Ukrainian government to deal with hyper-inflation, unemployment, economic growth and foreign trade issues.
3. A 30-hour course on managing quality. This course was designed for MBA students and provided a good understanding of the nature of the quality problem and the measures available to help Ukrainian managers produce high-quality products.
4. A 24-hour seminar on macroeconomics. This course was given to interested Ukrainian university-level economics teachers and helped them to prepare for future teaching assignments.
5. A 6-hour lecture on western markets to students at School #45.
6. A 6-hour lecture on macroeconomic policies for international trade and finance at the International Relations School of Lviv University.

Overall, VE Buehler found the project to be very rewarding.

Country Director Wynnyczok commented, "VE Buehler is a very imaginative and energetic individual. The client added, 'We would like VE Buehler to return for any future project needs.'"

SUMMARY OF IESC PROJECT 23105

STARTED: January 22, 1993
INTERRUPTED: January 27, 1993
RESUMED: February 5, 1993
COMPLETED: March 17, 1993

CLIENT; ASSISTANCE REQUESTED:

"Kyivsky Vidomosti" Newspaper
Kyiv, Ukraine

The client is a daily newspaper which was established in 1992. The paper has a circulation of 200,000 copies and is the largest daily newspaper in Ukraine. Currently, the newspaper is written in Russian, but they hope to issue copies in Ukrainian and English in the near future.

OBJECTIVE: The client has requested assistance in adapting to a market oriented economy.

EMPLOYEES: 150

IESC VOLUNTEER EXECUTIVE:

Edward F. St. John
Hilton Head, South Carolina

VE St. John has nearly 50 years of experience with medium-sized city newspapers. During the past ten years, he has served as a consultant to a chain of newspapers in Germany and for the Ingersoll papers in London, England. Prior to his consultancy, he worked as publisher, general manager and editor of the Daily Tribune in Royal Oak, Michigan and the Fall River Herald News while retaining purchasing responsibility for the Ingersoll Newspapers and the Journal Register Group. He began his career with the Fall River Herald News, where he worked his way up to production director before being appointed vice president of operations for the Ingersoll Publishing Company, the parent of the Herald News and many other subsidiaries.

IESC ASSISTANCE RENDERED:

Upon arrival, VE St. John spent many hours interviewing the newspaper executives and observing the workplace. After completing his analysis, the VE felt that several areas of the client operation were overstaffed and that the advertising department was missing several opportunities to increase the newspaper's revenues because advertising was limited to six designated pages in the 16-page newspaper.

VE St. John suggested that journalists should be required to input their own stories into the computer, and that most of the staff of "inputters" should be eliminated except for a few who should be on-hand to enter press releases and stories provided by outside sources. He also felt that using the computer eliminated the need for proofreaders, and made the placement of a literary editor in each department unnecessary.

The VE also felt that the advertising department was in need of improvement. He observed that advertisers were often turned away if the pages designated for advertising were full. VE St. John suggested that the client increase the amount of space devoted to advertising, and make an effort to actively solicit additional advertising accounts. He emphasized that additional advertising revenue was critical if the newspaper planned to continue to operate without making any staff reductions.

It should be noted that this project was interrupted because of the death of the VEC's daughter, which necessitated their return to the U.S. for several days.

Country Director Wynnyczok commented, "The success of this project was not very substantial and not as the client expected. The recommendations given by the VE were mostly of general character with little or no justification, specification or instruction. The client added, 'We held very interesting discussions with the VE, but we did not hear anything radically new.'"

REIMER 5/5/93 PUBLICITY NOT PERMITTED RCTR: MOYER CODE "7*"
2843E

*Partially successful due to miscellaneous reasons.

SUMMARY OF IESC PROJECT 23566

STARTED: February 2, 1993

COMPLETED: March 3, 1993

CLIENT; ASSISTANCE REQUESTED:

Ukrainian Charity Foundation "Ukraine and the World"
Kharkiv, Ukraine

The aim of the Foundation is to promote the continued development of a market economy in Ukraine. They are also involved in the implementation of defense industry conversion programs. The Institute of Advanced Training of Specialists, a member of the Foundation, offers a retraining course to instruct retired military officers and those who have worked in the military industrial complex in the workings of a market economy. OBJECTIVE: To assist the Institute by providing methodologies, information, and a curriculum to train and retrain specialists in small business management, private banking activities, marketing, and ecology. They have also requested that the IESC VE train professors to work with the materials provided by the VE and train them to use computers in the curriculum.

EMPLOYEES: 13

IESC VOLUNTEER EXECUTIVE:

Jarry V. Novak
Ogden, Utah

VE Novak has extensive and diverse management experience. From 1980 to 1981, he was acting director of the management development programs for the **University of Petroleum and Minerals** in Saudi Arabia. Prior to holding this position, VE Novak worked for **Texas Instruments, Inc.** as manager for systems planning, the components group, production planning and control, and the power plant. He has also worked for **Taylor Forge and Pipe Works** as a maintenance engineer and as a documents and intelligence officer for the **United Nations** in Arolsen, Germany.

IESC ASSISTANCE RENDERED:

In his final report, VE Novak noted that there is a tremendous need in Ukraine for assistance in promoting knowledge about the market economy. He felt that while there is a need to upgrade all learning institutions, delete obsolete courses and develop new ones, the client should concentrate its scarce resources on developing a series of seminars on basic business topics, to be presented all over the country, to as many people as possible. To help the client optimize the benefits resulting from their efforts, the VE made the following recommendations:

- Use Foundation resources in ways which will provide almost immediate results, as there is a critical need for basic business knowledge in Ukraine.
- Avoid direct involvement with educational institutions which will dilute the Foundation's limited resources and yield results only after 2-3 years.
- Develop the necessary teaching materials for business seminars and train native instructors to teach these courses.
- Assist institutions such as the Ukraine Law Academy with special projects such as obtaining support from organizations like IESC.

VE Novak urged the Foundation to implement programs that will disseminate knowledge to as many people as they can, as soon as they can. He provided them with a list of steps to help them develop suitable business courses, and urged them to use native Ukrainians in their programs to the greatest extent feasible.

Country Director Wynyczok commented, "This cannot be called a success. As in so many of our projects, page three (of the client agreement) did not reflect the real desires of the client. The client hoped that the VE would line them up with U.S. counterparts. However, what VE Novak did accomplish was valuable. The client added, 'It was agreed that the Foundation should abstain from long-term education and concentrate its efforts on short-term education. The concrete steps for implementing these activities were worked out with the VE's help.'"

REIMER 5/5/93 PUBLICITY NOT PERMITTED RCTR: HUTCHINSON CODE "7*" 2845E

*Partially successful due to miscellaneous reasons.

24

SUMMARY OF IESC PROJECT 23691

FOLLOW-UP

STARTED: April 12, 1993

COMPLETED: May 18, 1993

CLIENT; ASSISTANCE REQUESTED:

Tlumach District of Ivano-Frankivs'k Region
Tlumach District, Ukraine

The client is a provincial government body which provides services such as economic planning to its populace. In October 1992, IESC assistance was provided to this predominantly agricultural district by VE Owen in project 22217. In this project, VE Owen presented the concept of western style farming which received approval at all levels of the district and region. The proposed structure suggested that all farming and marketing operations would be best performed by the farmers and management of agricultural cooperatives.

OBJECTIVE: The client has requested that a VE develop a business plan, propose western technologies for sugar beets and grain growing, and advise on the modernization of factories engaged in milk and meat processing. **They have previously received IESC assistance in project 22217.**

EMPLOYEES: n/a

IESC VOLUNTEER EXECUTIVE:

Willard Snider
Lebanon, Ohio

VE Snider began his career as manager of a feed mill for an Ohio County Cooperative. In 1955, he was promoted to petroleum branch manager responsible for sales, service, purchasing, delivery, planning and budgeting. In 1966, VE Snider assumed the position of general manager of the **Warren Country Farm Bureau Cooperative Association**. This cooperative supplied feed, seed, fertilizer, pesticides and petroleum products to farmers and urban customers in three Ohio counties. The VE has also done volunteer work on advising and setting up cooperatives in Albania and Crimea, Ukraine.

IESC ASSISTANCE RENDERED:

In the previous project, the VE held extensive discussions with the client, farmers, and professional agricultural leaders to identify their primary concerns. Based on the information obtained, VE Owen determined that a business structure should be put into place to meet the needs of the agricultural community, namely a farmer-owned business or cooperative. This project culminated in the obtainment of government approval to proceed with plans for the formation of a farm cooperative in the Tlumach District.

In an effort to follow-up on the progress made in project 22217, VE Snider initially visited with many farmers, cooperative farming unit managers and private farmers to educate himself on their needs and concerns. Shortly thereafter, he developed a business plan to help the client with the marketing of production and the acquisition of supplies for the farming operations. The business plan included the development of a business cooperative system, in which the first step was to reorganize private farmer cooperatives. In order to achieve this goal, the farmers needed to be educated about cooperatives; specifically, what they are, how they operate and benefit the farmers and food production industry as a whole. Upon the project's completion, the VE considered the initial portion of the education process to be complete. However, he did note that the cooperative had not adopted the Articles of Information or Code of Bylaws which were prepared, and would therefore require further assistance in the future.

Additionally, VE Snider reported that government regulations needed to be changed to favor a free market economy, as farmers need to be able to plant the types and amounts of crops they choose.

Country Director Wynnyczok commented, "The VE had limited time and could not finish the project by presiding over the actual establishment of the proposed cooperative. If the cooperative is formed, this project can be considered an unqualified success. The client added, 'I am grateful to Mr. Snider for his work. The biggest challenge is the psychology of the people; changing their mode of thinking. All the farmers of this district are ready to organize one large cooperative.'"

SUMMARY OF IESC PROJECT 23694

STARTED: March 5, 1993
COMPLETED: March 31, 1993

CLIENT; ASSISTANCE REQUESTED:

Kyiv Trade and Economics Institute (KT&EI)
Kyiv, Ukraine

The Institute trains individuals to work in trade, food distribution, and hotels and tourist complexes. They wish to adopt new approaches for training specialists who will be able to implement market reforms in Ukraine.

OBJECTIVE: The Institute has requested assistance in developing a new curriculum, working out new methods for instruction in micro and macroeconomics. Also, to organize demonstrative, "game" lectures for the Institute's staff and students.

EMPLOYEES: 400

IESC VOLUNTEER EXECUTIVE:

Vernon M. Buehler
Logan, Utah

VE Buehler spent 21 years as a professor at the **Utah State University's College of Business**, retiring in 1989 as assistant dean. In this capacity, he was responsible for creating nationally recognized, academic business seminars featuring speakers including Nobel Laureates. The courses he taught dealt with management of quality, productivity, human resources, world trade, information systems, banking and accounting. He began his career as a professor at the **Industrial College of the Armed Forces** in Washington D.C., and served as a colonel in the U.S. Army. **This was his second project for IESC.**

IESC ASSISTANCE RENDERED:

Prior to the commencement of this project, VE Buehler contacted the client for additional project information. This enabled him to collect several books and pamphlets (donated by U.S. business) for KT&EI's library. During the project, he provided the following assistance:

- Provided and explained the following: a 9-page model of a U.S. undergraduate business curriculum; outlines and new texts for 14 core and required business courses as well as several other texts and journals donated by U.S. firms; and computer assisted simulation software for exercises in macroeconomics, management, marketing, accounting, and strategic management.
- Held three meetings each with the rector and pro-rector to coordinate the curriculum and related matters. Details of the curricula were discussed in separate meetings with the faculties of each department.
- Delivered nine 90-minute lectures on macroeconomics, and three 50-minute lectures on understanding American business to students and faculty. This included the instruction of competing, 5-person, student teams on management and macroeconomics simulation exercises.
- Coordinated plans for creating a two-year partnership between **Utah State University (USU)** and KT&EI, which would be funded under a proposal to USIA by USU in April, 1993. The proposal required input from KT&EI including a rector's letter and the resumes of the English-speaking faculty. If approved, the proposal will fund the exchange of faculties and U.S. industry internships, and provide for the donation of computer software/hardware, books, curriculum development, use of new instructional technologies, and the translation of four books per year.

Country Director Wynnyczok commented, "This was really a successful project. Both the client and the VE were more than satisfied with the work which has been done. The client added, 'Professor Buehler did an excellent job of introducing computer-assisted simulation software into KT&EI's curriculum. We are also extremely grateful for the donation of books to the KT&EI library... Professor Buehler's lectures were very successful both in content and in introducing to students the American style of teaching these subjects.'"

SUMMARY OF IESC PROJECT 23668

STARTED: May 19, 1993
COMPLETED: June 29, 1993

CLIENT; ASSISTANCE REQUESTED:

The State Commercial Insurance Organization of Ukraine (ORANTA)
Kyiv, Ukraine

The client is in the process of restructuring its business operations to adapt to the transition to a market economy. Under the Soviet system, Oranta was prohibited to insure state properties other than collective farm property, or private interests (i.e. residential housing, automobiles, and life/health insurance policies). Consequently, they now wish to expand their capacity to cover all types of commercial and industrial risks, as well as marine, aviation, and third party liability insurance. As they lack the experience and knowledge to do this, they have contracted with the firm of Marsh and McLennan for technical assistance in this area.

OBJECTIVE: They have also requested IESC assistance in the following areas: improving their present structure, developing a structure to accommodate new business activities, setting-up an internal training program, improving the computerization of their offices throughout Ukraine, and establishing a reinsurance program.

EMPLOYEES: N/A

IESC VOLUNTEER EXECUTIVE:

Stan L. Mularz
LeClaire, Iowa

Most recently, VE Mularz served as vice president of TRW Credit Bureau in Orange, California. Prior to that, he was vice president of Trans Union Credit Bureau in Chicago, Illinois. Earlier in his career, he organized a complete consumer credit operation for Aldens Inc., a major mail order house in Chicago. This was VE Mularz's second project for IESC.

IESC ASSISTANCE RENDERED:

VE Mularz commenced this project by conducting an initial analysis of the client's business background and their overall operational activities. He noted that their charter, which had been issued by the Ministry of Finance in early 1991, is currently under revision. The revisions are expected to permit the eventual privatization of commercial insurance in Ukraine; however, until this process is complete, the client is technically not permitted to make any major changes without specific approval by the Ministry of Finance. Despite these technical restrictions, VE Mularz learned that Oranta's staff believes that the company operates independently of state control, thus allowing for some changes to be made without Ministry approval. Due to this apparent misunderstanding, and confusion in a number of other areas regarding privatization, the VE provided the client with the name of a local law firm to settle questionable issues.

Additionally, VE Mularz summarized the company's charter, providing extensive interpretation and relevant comment on its provisions, as well as on the company's technical and structural organization.

The bulk of his assistance encompassed the development of a series of seven comprehensive reports which provided extensive recommendations for improving nearly all aspects of the company's internal structure. These reports covered the following topics: organizational structure; finance; actuarial assistance (i.e. calculations, research, and record keeping, etc.); marketing, including the development of new functions and objectives; operations, including the development of an operations division and subsequent reporting functions; human resources (i.e. the development of a separate human resources department and training programs, etc.); and the computer division, where recommendations encompassed the development of a two-phase program to improve overall system capabilities.

Country Director Mazurek commented, "The VE completed all the requirements outlined, and had a wealth of information to impart... If his recommendations are adopted, this enterprise will improve in efficiency, volume and profitability. Led by the client, the Ukrainian insurance industry will have to fulfill the role previously provided by the state. Consequently, the availability and use of insurance will be of great value in keeping 90% of Ukraine's major industrial plants in operation."

SUMMARY OF IESC PROJECT 23602

STARTED: April 3, 1993

COMPLETED: May 3, 1993

CLIENT; ASSISTANCE REQUESTED:

Chas ne Chekaye Limited ("Time is not Waiting")
Kaniv, Ukraine

The client initially specialized in tourism and has recently extended its sphere of business to include a mini-meat processing factory.

OBJECTIVE: To improve the meat factory's efficiency in order to reach its capacity of three to five tons per eight hour shift, and to increase the client's assortment of meat products.

EMPLOYEES: 25

IESC VOLUNTEER EXECUTIVE:

Myron K. Bort
Columbiana, Ohio

VE Bort has over 35 years of experience in the meat processing industry. From 1945 until 1980, he was associated with a family business, eventually becoming owner and operator. The business was concerned primarily with the slaughter and processing of pigs and cows, and sold a complete line of fresh and canned sausages. Subsequently, VE Bort became a consultant to meat processors and worked on equipment selection, quality and cost controls, and personnel training. **This was VE Bort's 19th IESC project.**

IESC ASSISTANCE RENDERED:

VE Bort spent the first three days of this project surveying the client's factory operations. He noted that the plant was producing only 20% of its capacity due to the following reasons: a shortage in the region's cattle and hog supply, a lack of ingredients and casings for the sausages, and inefficient boning techniques. Subsequently, the VE recommended the following:

- Locate hog and beef farmers who are interested in forming a cooperative agreement whereby they provide the factory with a steady supply of animals (the VE visited several prospective farms).
- Establish a business relationship with an overseas firm for a possible joint-venture. VE Bort suggested **TEE PAK**, a Chicago-based casing distributor, as a possible partner for such an arrangement.
- Utilize a new system of boning which calls for the worker to take the meat off of an animal carcass the same day it is received, rather than a few days later after it has been frozen. This new system will reduce labor and the chances of bacteria developing in the meat.

The VE also developed 20 additional meat products for the client. In each of these products, he encouraged the use of quality control methods, such as standard ingredient measurements and proper freshness dating for finished goods. In following these recommendations, the client will produce a fresh, high quality product.

In addition to recommendations for the actual plant operations, VE Bort made suggestions to the managerial staff. He explained the value of strategic planning - assessing the company's objectives - in order to operate the plant at the optimum profitable level of business. The VE also emphasized the value of product assessment to ensure that the company is fulfilling its customers' needs; to do this, he suggested the client develop a customer survey.

Country Director Wynnyczok commented, "From the point of view of the Ukrainian firm, this project was an unqualified success. The fact that they learned so much already speaks for itself. The client added, 'The VE gave us very important recommendations for improving our technology and the results have exceeded our expectations.'"

SUMMARY OF IESC PROJECT 23425

STARTED: April 2, 1993

COMPLETED: May 20, 1993

CLIENT; ASSISTANCE REQUESTED:

"VATRA" Scientific-Productional Amalgamation
Ternopol, Ukraine

The client holds the leading position in the Ukrainian lighting industry.

OBJECTIVE: To assist in solving problems associated with privatization. Specifically, to restructure their production lines, support centers, and management organization.

EMPLOYEES: 6,500

IESC VOLUNTEER EXECUTIVE:

James R. Fisher
Boynton Beach, Florida

VE Fisher has spent 34 years working in the electronic/electrical industry, dealing with all aspects of equipment manufacturing, design, and marketing. He has worked for leading U.S. companies in this industry including **Kodak**, **Sprague Electric**, and **Magnetek Universal**. His experience with these companies ranges from design engineer for sophisticated cameras and related products, to developer of worldwide markets for electronic components. The VE is familiar with the manufacturing, sales and marketing, and operations of this industry in various countries. He has experience in business/plant start-ups, expansions, consolidations, product quality improvement, cost control, market development, and business turn-arounds. **This was VE Fisher's fourth project for IESC.**

IESC ASSISTANCE RENDERED:

Upon arrival in Ukraine, VE Fisher noted that the present Ukrainian banking system seems unresponsive to the needs of business. As the Ukrainians are not confident in these services, they are unwilling to place their savings in banks, thus hindering capital formation. Such difficulties in the creation of capital directly affect the ability of firms such as VATRA to privatize.

Nevertheless, the VE outlined the structures needed for the client to operate in a market economy. These guidelines, such as meeting the customers' needs, are essential regardless of whether or not the client pursues privatization. Specifically, VE Fisher recommended:

- Obtain the appropriate European approvals which will permit access to West European markets, materials, and hard currency.
- Reduce the level of employment, and hence, the rising cost of wages: A smaller, sharply focused organization responds more rapidly to the market.
- Focus on lighting as the primary area of business activity. Encourage support activities to operate as efficiently and independently as possible.
- Modify organizational structure.
- Invest in sales and marketing areas to find new customers, develop new markets, and consequently increase sales.
- Introduce quality control concepts and send personnel representatives to one of the quality training programs in Europe, such as Philip Crosby Associates.
- Consider a major energy conservation program to reduce source dependence and costs simultaneously.
- Rotate employees through various positions.
- Continuous reinvestment is crucial.

The VE noted that should the client decide to privatize and consequently require additional capital, they could seek assistance from the European Bank of Reconstruction and Development (EBRD). The EBRD may also be able to assist them with developing joint ventures with Western firms.

Country Director Mazurek commented, "If the recommendations are followed, VATRA could become leaner and more profitable, producing products more in line with demand."

SUMMARY OF IESC PROJECT 23504

STARTED: April 7, 1993

COMPLETED: May 31, 1993

CLIENT; ASSISTANCE REQUESTED:

Spline Insurance Company
Kharkov, Ukraine

The client is an insurance company which is also involved in the auditing of legal agencies.

OBJECTIVE: To develop a comprehensive analysis of the client's insurance operations, and to make recommendations which will strategically aid the client with future development and growth.

EMPLOYEES: 18

IESC VOLUNTEER EXECUTIVE:

LeRoy E. Kennedy
Shorewood, Wisconsin

VE Kennedy has over 30 years of experience in the insurance industry, beginning his career with **State Farm Mutual Insurance Company** as a claim representative, and later becoming the regional claims manager for **Allstate Insurance**. The VE then furthered his career in claims by working at the **General Mutual Insurance Company** and the **Celina Insurance Group** in various capacities. Upon retirement, he was the president and chief executive officer for **Northwestern National Insurance Company**, and since then has taken on several consulting assignments for various reinsurance companies.

IESC ASSISTANCE RENDERED:

The scope of this project required VE Kennedy to act as a pedagogue of U.S. insurance company operations, as he gave lectures and led discussions with Spline's officers. In these talks, he lended particular emphasis to certain coverage lines which the client requested: bank credit, cargo, pension, and health. The VE also made the following recommendations:

- Establish a loss reserve and loss expense reserve, since Western insurance companies, particularly reinsurance companies, determine the true financial stability of an insurance operation on the basis of adequate loss reserves (if the client wants some form of foreign investment, the establishment of a loss reserve will be essential). Adopt Western methods of accounting for uniformity with businesses in the West, as it will make investment and the purchase of reinsurance possible.
- Develop a policy holder's application for each line of coverage offered; this is a standard underwriting technique.
- Establish business contacts with the names provided by the VE, specifically, **Mendes & Mount** of New York and **General Reinsurance Limited** of London.
- Develop the following documentation for business negotiating purposes: a Ukrainian charter, Spline corporate by-laws, a Spline strategic operations plan and current balance sheet, biographical sketches of the company's officers, and Spline's marketing efforts with results up-to-date.
- Purchase quota share reinsurance until Spline gains more market strength.
- Establish an agency force to initially market the insurance in the Kharkov region, and subsequently to other markets as they become more established.
- Develop a market niche in Kharkov which can be supported by the law of large numbers and spread of risk; this would include the insuring of household contents, tenant coverage, burial, etc.
- Change methods of marketing to employ a synergistic style, for example, "piggybacking" burial insurance to tentant's contents coverage or selling life insurance as an additive to bank credit insurance.

VE Kennedy also noted that present Ukrainian laws and the people's cultural perception of insurance companies are obstacles to the client's success. However, the Insurance Trade Association being formed in Kharkov may considerably improve this situation.

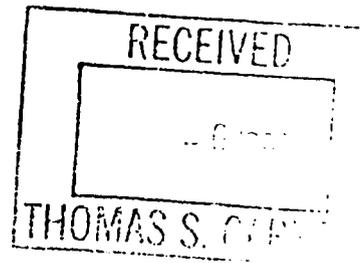
Country Director Mazurek commented, "The project was obviously a success. The client was satisfied with the work done by the VE, whose recommendations have proved valuable to the development of the company. The client added, 'The VE has given consultations to all of the company's officers and provided us with much information.'"

Milewski 08/18/93 PUBLICITY PERMITTED RCTR: Gallagher CODE "0"
3107E

ATTACHMENT 5

FMC Corporation
200 East Randolph Drive
Chicago Illinois 60601
Phone 312 861 6001
Fax 312 861 6061

Malott
TC



June 29, 1993

Mr. Thomas S. Carroll
President and CEO
International Executive Service Corps
P.O. Box 10005
Stamford, Connecticut 06904-2005

Dear Tom:

I had a very interesting visit in Nizhny Novgorod. Bob was our host and reviewed with us the impressive efforts to privatize and convert the military manufacturing facilities in the region.

We're lucky to have people as dedicated as Bob and Charles Froese.

Thanks for the notice of your pending retirement. You've done a great job and the organization will miss you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bob Malott".

Robert H. Malott

def

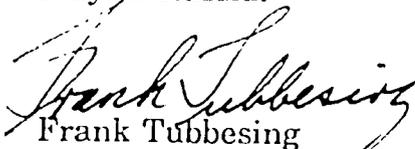
McDonnell Aircraft Company

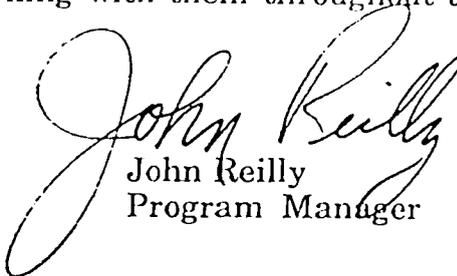
8 July 1993

International Executive Service Corp.
Attn: Ms. Dafana Tapiero
P.O. Box 10005
Stamford, CT 06913-0437

Dear Ms. Tapiero:

1. We spent the period from 4 to 19 June in Russia exploring the feasibility of initiating mutually cooperative efforts between McDonnell Douglas Corporation and several Russian Organizations. The trip was interesting in many respects and without question proved to be more successful than anticipated primarily because of the support received from two individuals currently volunteering with IESC, Mr. Robert Carlson and Mr. Charles Froese, in Nishny Novgorod, Russia.
2. Specifically, Messrs. Carlson and Froese played a crucial role in arranging our visit to Nishny Novgorod (formerly Gorky) and supporting us while in Nishny. Their proactive support included everything from arranging key meetings, providing transportation for other meetings when no reasonable alternative was available, and assisting us in finding lodging, a relatively simple sounding task but one not to be underestimated in today's Russia. Of equal importance was their understanding of Nishny Novgorod's business and industry. This information proved to be of significant assistance in our search for possible cooperative opportunities, and otherwise would have take months to gather. I know for a fact that they have provided similar support to many U.S. visitors to Nishny.
3. From our perspective, both Bob and Charlie are providing an absolutely essential service which is of immense value to both Russian and U. S. business communities. Their proactive and conscientious efforts reflect very positively on them, your organization and your mission.
4. Please inform Bob and Charlie that we and our corporation are grateful for their support and look forward to working with them throughout their stay in Russia.


Frank Tubbesing
Manager, Engineering
McDonnell Douglas Aerospace-East


John Reilly
Program Manager



URALS COMMERCIAL BANK FOR FOREIGN TRADE

Our ref : 21-631

Your ref : _____

« 2 » July 1993

Alan Goldie,
Voluntary Executive
International Executive
Service Corps.

Dear Alan,

We would like to express our gratitude for the amount of work you have done during your 2 months stay with us.

Not only have you fulfilled your original assignment but managed to extend it considerably sharing your theoretical and practical knowledge in various fields of the bank's activity with our bank's staff thus improving their understanding of international operations.

Ongoing discussions helped us to define and clarify the bank's true exchange exposure, to formulate a business strategy in the light of probable Central Bank regulations and to improve the reconciliation of the bank's «Nostro Accounts» with the statements of the overseas accounts when received from foreign correspondent banks. Our employees' impressions of these discussion sessions were very positive.

We appreciate your practical participation in the current activity of our bank when you attentively studied actual cases and problems we face. Your analysis of the present state of the operating procedures and techniques we employ will help us to modify our tactics and strategy so that we could remain competitive in the future.

We would like to give our special thanks to Mrs. A. Goldie whose amiable personality, kind attention to linguistic problems of our staff and personal efforts she undertook while organizing English lessons have won common sympathy and gratefulness.

We believe that despite several problems we have not been able to avoid, you liked staying in our bank and working with us.

Thank you once again for your visit. We would like to believe it is not for the last time that we cooperate with you, and we all wish you a safe trip back home.

With best regards,

Valerian V. Popkov
Chairman of the Board

Ladies and gentlemen,

Can I first of all say how pleased we were to participate in this project and to have Voluntary Executive Alan Goldie here in our bank for the last 2 months.

The project itself- and the credit here goes to Mr.Ousterman and to those who initiated it - has surpassed all our expectations. Alan has not only been able to offer valuable help in documentary letters of credit. He has also reviewed tge work flow, foreign exchange operations and other procedures and practices.

This has been of practical help to our bank- the ongoing consultations helped us to improve the structure of our balance sheet, to correct our views and concepts concerning the overall exchange position and reconcilia- tion of our overseas 'Nostros'.

We hope that suggested structural changes will greatly improve the overall efficiency and cost-effectiveness of the vabk. This particular point was also stressed during our recent visit to Donau-Bank and Commerzbank.

We think it is a grest ides to initiate and run a project whereby highly qualified bankers like Alan Goldie can come to work in a new bank like ours, to see our work from inside and to share with us the expertise they have been accumulating during all their lives.

This is an invaluable contribution into the financial sector of the newly emerging Russia in general and into the ultimate success of our bank in particular. We can only hope this will be an ongoing process, and Alan

will not be the last banker of high calibre to work in our bank. We hope there will be others to follow.

Thank you all very much.

Thank you, Alan , for all your efforts, and have a safe trip back home.

Thank you.



Қазақ Орталық акционерлік банкі Kazakh Central joint-stock bank

Кому : Mr. Richard Sheiver
Vice-President for the CIS
and Central Asia
Stamford Harbor Park
333 Ludlow street
Stamford, CT 06902

07.06.93

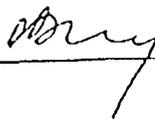
Қазақский Центральный акционерный банк "Центрбанк" выражает признательность Добровольному корпусу экспертов IESC за оказанную практическую помощь в организации и проведении международных расчетов в Валютно-операционном Управлении "Центрбанка".

Г-н Дик Шотанус добровольный эксперт, который был консультантом в "Центрбанке" в течении 5 недель разработал для Валютного Управления "Центрбанка" ряд рекомендаций, которые оказали существенную помощь в практической работе Валютного Управления.

Считаем, что программа IESC по привлечению добровольных консультантов, является чрезвычайно полезной для нашей страны и советуем Вам рекомендовать данную программу другим банкам в Республике Казахстан.

Также, мы благодарны г-ну Дику Шотанусу за его ценные и полезные рекомендации.

Первый Заместитель Председателя
Правления "Центрбанка"

 Ли В.С.

110 Duanhuai North St., Almaty, 480009, Kazakhstan

ENGLISH TRANSLATION*

June 7, 1993

Mr. Richard Shriver
Vice President for the CIS and Central Asia
Stanford Harbor Park
333 Ludlow Street
Stamford CT 06902

The Kazakhstan Central Joint Stock Bank "Centerbank" would like to express its gratitude to the International Executive Service Corps for the practical assistance rendered by Volunteer Executive (VE) Dirk Schotanus in the area of international financial transactions in the Foreign Currency Department of Centerbank

VE Dirk Schotanus worked at Centerbank for five weeks and rendered substantial practical assistance to the work of the Currency Department.

IESC programs are helpful to our country and we would recommend other banks in the Republic of Kazakhstan to approach IESC for useful and practical assistance.

We are very grateful to Mr. Dirk Schotanus for his valuable and useful guidance and recommendations.

V.E. Li
First Deputy Chairman
Centerbank
248 Bogenbai Batur Street
Alma Ata, Kazakhstan

* Translated by IESC office in Amaty

ҚАЗАҚСТАН РЕСПУБЛИКАСЫНЫҢ
ПРЕЗИДЕНТІ МЕН
ҚАЗАҚСТАН РЕСПУБЛИКАСЫ
МИНИСТРЛЕР КАБИНЕТІ
АППАРАТЫНЫҢ БАСШЫСЫ



HEAD OF THE STAFF-OFFICE
TO PRESIDENT AND CABINET
OF MINISTERS
OF THE REPUBLIC
OF KAZAKHSTAN

480091, Алматы қаласы,
Республика алаңы, 4

4 Republic Sq., Alma-Ata 480091

June 1993

199 — жылғы _____

№ II85 _____

II85

Ref. No. _____

Mr Thomas Carroll
President of
International Executive
Service Corps
Stamford Harbor Park
333 Ludlow Street
Stamford, Connecticut
06901 USA

Dear Mr Carroll,

On behalf of the Staff to President and Cabinet of Ministers of the Republic of Kazakhstan let me express sheer gratitude for the excellently arranged training course granted to a group of senior Government officials representing various authorities of state management of the Republic of Kazakhstan held this past April in Washington, New-York and Tucson under the programme "Organization of Studying Public Administration and Management". No doubt, skills and practices acquired by the group in the course of training would find practical application in our everyday activities, thus making a tremendous contribution to the cause of further development of the economy and updating the management system of our young state.

We highly appreciate generous efforts made by Mrs. Susan Johnson, Regional Director of IESC in Almaty, and Mr Joseph Brett, Director of Public Administration Programme, as organizers of the training, as well as Mrs Sharon Hekman,

President of Tucson - Almaty Sister City Program, and Mr Michael Palmbach, Arizona School President, and other teachers for a fairly comprehensive programme of the Seminar.

I am glad to express our willingness and readiness to promote further cooperation with You and Your staff.

Best regards.

Respectfully Yours,



Nurtai A. Abykayev;
Chief of Staff to
President and Cabinet
of Ministers of the
Republic of Kazakhstan

ATTACHMENT 6

FINANCIAL CONSIDERATIONS

<u>TRADITIONAL IESC PROGRAM</u>		<u>Obligated</u>
	<u>Date</u>	<u>Amount</u>
COOPERATIVE AGREEMENT CCS-0001-A-00-2002-00	2/4/92	500,000
Amendment 1	9/25/92	<u>3,389,000</u>
TOTAL OBLIGATED AMOUNT		3,889,000

IESC EXPENSES - COOPERATIVE AGREEMENT CCS-0001-A-2002-00

	<u>2nd Quarter '93</u>	<u>Cumulative Total</u>
Field Support	\$180,196	\$434,596
Country Director	130,054	358,654
Projects	<u>300,642</u>	<u>575,142</u>
TOTAL	\$610,892	\$1,368,392

<u>IESC DEFENSE INDUSTRY CONVERSION PROGRAM</u>		<u>Obligated</u>
	<u>Date</u>	<u>Amount</u>
COOPERATIVE AGREEMENT CCS-0005-A-00-2015-00	5/6/92	\$1,000,000
Modification 1	9/30/92	<u>538,000</u>
TOTAL OBLIGATED AMOUNT		\$1,538,000

IESC EXPENSES - COOPERATIVE AGREEMENT CCS-0005-A-2015-00

	<u>2nd Quarter '93</u>	<u>Cumulative Total</u>
Field Support	\$28,542	\$210,442
Defense Conversion Teams	40,452	186,452
Projects	<u>191,117</u>	<u>227,117</u>
TOTAL	\$260,111	\$624,011