

# MFM Project

PN-ABW-214  
ISN 95222

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## ECONOMIC DEVELOPMENT REPORT FOR TERNOPII

By  
John Gurganus

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

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

March 31, 1995



P.O. Box 12194, Research Triangle Park, NC 27709-2194

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**John Gurganus**  
**Trip Report Economic Development**  
**February 4 - March 18, 1995**  
**in**  
**Ternopil, Ukraine**

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Economic Development is the enhancement of overall economic conditions and the increase of economic activity of an area. Economic activity is increased by recruiting and assisting new businesses to begin and by the retention and expansion of existing businesses.

Current business conditions in Ternopil are not good. Many factories are not working. Those that are working are on a limited schedule. Unemployment is officially five to six percent (5-6%), but in fact, is nearer forty to fifty percent (40-50%). Under employment is very prevalent. Factory managers in Ternopil do not understand cost containment, profit margins, or profit motives. Raw materials are often difficult to obtain. The exchange of commodities or bartering for goods are widespread and account for most of the international commerce. The primary imports are coal and cotton and the primary exports are sugar and sugar beets (See Annex A-1). Modern production technology is unknown to most manufacturing firms. Production equipment is old and in a state of disrepair. Business laws are unstable. Taxes are high (20% value added tax, 30% income tax, and a 52% social tax on wages - none are indexed for inflation). Borrowing cost are too expensive for most businesses with interest around 130%. A conventional banking system does not exist. A number of reasons account for this situation. The most prevalent is the former control of the Soviet Union. During this period, management was told what to produce without regards to profits.

The scope of work for the consultant appears in Annex A-2. The major activities were:

- a) Help create an economic development office,
- b) Advise and assist in setting up an economic development commission,

- c) Work with city officials and the economic development commission to generate an economic development strategic plan for the City of Ternopil and the Ternopil region.

I began my task by visiting large and small enterprises to understand how business is currently conducted. These visits were made with Victor Litvenchuck and other city officials. We visited the largest state owned enterprises in the city which are:

Vatra Glass, a large lighting fixture plant that currently employs 5,000 when in operation. Before Ukraine's independence it produced 20 million lighting fixtures per year, and now produces only 8 million.

Orion, a large electronics plant that before independence employed 10,000, but presently employs 4,000. This is considered a modern plant for Ternopil, but not modern by Western standards.

Texsterno, a large integrated textile firm. They employ 8,500, but because they could not afford to purchase cotton only operated three days in February. They are expected to operate 10-12 days in March.

The Ternopil Combine Factory, a large sugar beet manufacturer that employs 5,700. This is a very large complex totaling 82,000 square meters.

The Ternopil Porcelain Factory whose china products are well known throughout Europe. This is the only factory we visited where the manager, Mr. Petro, indicated production has increased recently (from 3 million units last year to 17 million units this year).

Small enterprises we visited included a private small computer retail store, a private bank, a furniture manufacturing plant, a furniture retail facility, an auto repair facility, a vinyl manufacturing plant and a small knitting and sewing plant.

Observations made during the visits were that businesses lack modern technology, management skills, and many lack an adequate supply of raw materials. Most of the production was done without the aid of computerized equipment and manual labor was very commonplace. The average wage rate for

factory workers is \$15.00 to \$40.00 per month. The quality of products are not competitive in the Global market - certainly not by standards in the United States. Capital investment in modern equipment would enhance the quality of the products tremendously. Most of the workers were very skilled.

~~We also visited R=J=Reynolds International Tobacco Company, a U.S.~~  
manufacturing plant in Lviv which has just opened for business. They manufacture cigarettes. The plant manager, Steve Hauser, told us RJR was expending \$7,000,000 to acquire 70% ownership, install new equipment to control the production quality, and to refurbish the factory. He said because there is a five year moratorium on income taxes in Ukraine for large international investments, RJR is going to reinvest all profits back into the plant and community for that period of time. He indicated their reason for purchasing the plant was the tremendous market for their product in all the newly independent states (NIS). The two major problems he has experienced are the changing laws and the lack of management skills. Each manager has been given six seminars in American management styles and provided an understanding of cost and cost center.

It is clear that an economic development office will have an enormous impact on the region by:

- a) assisting small businesses and entrepreneurs to start new enterprises,
- b) providing assistance to existing businesses during the privatization process and seeking new markets,
- c) helping existing manufacturers obtain the quality necessary to be competitive in the global market,
- d) assisting in securing potential joint ventures, and
- e) helping elected officials understand the need for economic development efforts

One of our first task was to determine the positions necessary to staff an economic development office. Victor Litvenchuck had been hired as manager on my arrival. Victor is a good choice because he comes from a high position in the Oblast (Regional Government). He is energetic, has many contacts in the city and the region, and understands the political environment. He is conscious of the public relations aspects of the position and very dedicated to the City and Region of Ternopil. The manager's scope of work is enclosed as Annex A-3.

**TASK I: ASSIST IN ESTABLISHING AN ECONOMIC  
DEVELOPMENT OFFICE**

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Activity I. Establish positions for the Economic Development Office

The positions needed and their responsibilities for the economic development office are:

- 1) Manager - should be bilingual and computer literate and will be responsible for:
  - a) Supervision of all functions and personnel
  - b) Planning, coordinating and execution of all aspects of the office
  - c) Liaison with the public (public relations)
  - d) Promoting a favorable business climate
  
- 2) Secretary/Receptionist - will be responsible for:
  - a) Greeting visitors
  - b) Answering the telephone
  - c) Filing of papers and documents
  
- 3) Chief of External Investments - should be multilingual and will be responsible for:
  - a) promoting investment by foreign business firms and people
  - b) maintaining a current knowledge of import/export requirements and tariffs.
  - c) developing and maintaining contacts with new business sources such as U. S. Chamber of Commerce; Ukrainian Chamber of Commerce; consultants that have foreign clientele.
  - f) promotion to foreign investors.
  
- 4) Chief of Internal Investments - will be responsible for:

- a) assistance to small businesses and new business start ups.
  - b) assistance in writing business plans
  - c) existing business visitations and completion of visitation reports
  - d) staying knowledgeable of laws and maintaining references on starting new enterprises.
  - e) maintaining information on existing land and space in which new enterprises can start.
- 5) Computer Operator - will be responsible for:
- a) data recording
  - b) maintenance of statistical business data such as unemployment, underemployment, and average wages
  - c) desk top publishing of promotional materials and brochures
- 6) Lawyer (this position can be contracted on an "as needed" basis) - will be responsible for:
- a) all legal aspects of the office
  - b) represents the office in all legal matters.

Activity II. Establish the necessary equipment needed and a location description for the office.

The office is an important place where visitors will come and meetings will be conducted. It will be a demonstration of the city official's interest in further growth in the community. The office will be in the main part of the City and easily accessible. It will have comfortable furnishings. It will have individual space for the offices of the positions established and a large room for meetings and discussions. Several buildings have been reviewed meeting the above criterion, and are under consideration for the economic development office.

The office equipment needed includes:

- 1) normal office furniture such as a desk, chair, and filing cabinets for each position
- 2) comfortable seating for visitors
- 3) three telephone lines with telephone units for each position

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- ~~4) A fax machine and a modem, each on a dedicated telephone line~~
- 5) a central computer with terminals for each position
- 6) an established E-Mail address
- 7) conference room table with 8-10 chairs
- 8) transportation which will be available as needed for staff and to transport clients
- 9) space for reference library (this space could be in the conference room)

The office will have a "ribbon cutting ceremony" that should be covered by local newspapers and television stations. This will provide an opportunity for officials to explain the economic development office's functions and services that will be available to any citizen.

### Activity III. Develop Promotional Materials and Visitation Reports

1) Most people in the world do not understand that the Country of Ukraine is now an independent country and no longer a part of the USSR. Therefore, it is important to have information easily obtainable from anywhere in the World about Ternopil and Ukraine on a Home Page, World Wide Web Network. The Internet can accomplish this. Victor Litvenchuck, Ibraqhimov Michailo, and I visited such a center in Lviv. The following information will be included on a Home Page for Ternopil. (See Annex B-1).

- a) brief history and cultural background
- b) location and distances to major cities (this can be accomplished by an enlarged map)
- c) population information
- d) educational establishments and opportunities
- e) types of manufacturing enterprises in the region
- f) a specific welcome to tourists and businesses

- g) a contact to reach for additional information
- h) it will be presented in English.

2) During a trip to Lviv, we attended a U. S. Chamber of Commerce meeting. Victor Litvenchuck gave a brief presentation on Ternopil to the 75 or ~~80 members present. His comments followed the above outline. A membership~~ roster is included in Annex B-2.

3) A brochure for handouts or mail outs to people interested in starting a business or interested in joint ventures will be published. The size of the brochure is not the critical factor, although it will be at least standard file size. (See Annex B-3). It will be printed on high quality paper in four colors. On the front cover it will have a map, a picture of scenery, a manufacturing process and of agriculture. The inside will contain pockets for inserts. Inserts of different heights will make it easier to locate a specific topic of information. This can be done on plain, good quality paper in black and white. The cover will be produced in a large quantity, while the inserts will be produced in smaller quantities allowing for updating as needed. Topics for the inserts will include:

- a) Ternopil maps showing relationship to other major cities in Europe and Ukraine,
- b) Climatic statistics such as monthly average rainfall, snowfall, humidity readings, heating and cooling degrees, and temperature highs and lows.
- c) Demographics on labor force, population, unemployment, underemployment, age categories, male/female ratio for working age people.
- d) Utility availability such as total water and sanitary sewer capacity, current average use, and excess availability. Gas availability, average use, excess availability on a non interrupted basis.
- e) Educational establishments, with areas of curriculum and number of students
- f) Transportation modes available and showing that all of Europe is accessible by train with abbreviated train schedule. This insert will also contain information about trucking establishments that can be hired for transporting raw materials and finished goods. Existing and planned highway information.

g) Availability of housing and apartments and average costs, medical facilities, schools and playgrounds for children, cultural attractions, such as the theater with examples of productions and a brief schedule.

~~h) Existing manufacturing firms, their products, and number of employees.~~

4. A visitation report form was created to record information about the businesses visited. These are completed after each enterprise visit and provides a record of the visit, specific data about the enterprise, and detailed information for analysis. (See Annex B-4).

## TASK II. ASSIST IN THE ESTABLISHMENT OF AN ECONOMIC DEVELOPMENT COMMISSION

~~The Economic Development Commission will be an economic advisory board to City Officials. Advice provided will be established with consultation and close coordination of the Economic Development Office staff. The individuals appointed will be leaders and from a variety of backgrounds. They will have a strong interest in the economic well-being of the Region and City of Ternopil.~~

### Activity 1. Determination of Members Background

The Commission will have 12 members with expertise in their area of representation. There will be one each from the following areas:

- a) National Bank Representative
- b) Private Bank Representative
- c) Major Manufacturing Representative
- d) Small Manufacturing Representative
- e) Small Retail Business Representative
- f) Academy of National Economy Representative
- g) Polytechnic Institute Representative
- h) City Administration Representative
  - Mayor (should serve as Chairman)
  - Manager of the Economic Development Office
  - Chief of Deputies Commission
- i) City Architectural Department Representative.

A scope of work for the Economic Development Commission and a list of appointed members are provided in Annex C-1.

A preliminary meeting was held on March 15, 1995. The Economic Development Commission will meet no less than once per month. At the next meeting each member will complete a survey. The survey form is included in Annex C-2. Questions on the survey ask them to list, in their opinion, the strengths and weaknesses of the Ternopil area. What are the areas natural

strengths and weaknesses of the Ternopil area. What are the areas natural resources that could be developed? What are the 4 or 5 greatest needs in the area? The survey responses will be used to determine areas of concerns and priorities. Priorities will be set by the number of times a particular issue is mentioned. Task Force committees will then be established consisting of 3 or 4 ~~members to explore a topic within their area of expertise for discussions and~~ alternative solutions. Periodic progress reports will be presented to the Commission at their monthly meeting. Once the task force has completed its mission, a report will be made to the full Commission. These reports will then be compiled and presented to the Mayor and City Council. The task force committees should meet as often as possible until objectives are formulated.

#### Activity 2. Short Term Work Plans

Topics that are being considered for short-range projects are the creation of a directory of all establishments. This directory will contain the names of the firms in the City and Region, a contact person (with telephone and fax number), the number of employees, and the specific type of product.

A survey of available buildings, or spaces available in buildings, that is not currently used. A detailed report on these buildings/spaces will be recorded. An example of the information to be gather is attached as Annex C-3. This space, with a definite commitment on its availability, will provide new space for a new factory or start up business.

The same information will be gathered for each available tract of land. Detailed information on the land, infrastructure available, and road access will be recorded. (See Annex C-4)

The gathering of all necessary forms, documents and procedures to start a new business will be gathered and bound into a booklet. Copies of this booklet could be reproduced on a copying machine and stapled together. Much of this has already been done. This booklet will be used as a handout, at no cost, for people wanting to start a new business enterprise.

Information on privatizing small businesses will also be gathered and bound in booklet form. This booklet will also contain the documents required for privatization.

All necessary forms, documents, and procedures for investing in joint ventures will be gathered. These will be reproduced on a copying machine and bound in a booklet for inquiries into potential joint ventures.

An informal gathering of small business owners sponsored by the Economic Development Office and Economic Development Commission was discussed. This would provide business people an opportunity to discuss and exchange information and solutions to mutual business problems. Problems that are correctable by City officials can be presented with a unified voice. Refreshments should be offered.

The Commission may sponsor seminars where numerous timely topics would be discussed by experts in their respective fields. This would benefit the business persons in Ternopil. Some of the topics that have been discussed and would be presented by expert authorities are:

- a) Recent changes in Laws affecting business in Ternopil
- b) Financial sources for both small businesses and large businesses
- c) The meaning of privatization and how it is accomplished.  
What the shares are that will be distributed
- d) A presentation by the U.S. Chamber of Commerce and the Ukrainian Chamber of Commerce on the resources that are available and how they handle inquiries for joint ventures.
- e) Detailed information on the necessary product quality, tariffs and documentation for exporting the finished products
- f) The required quality of products to be internationally acceptable and what it means if Ternopil is to be a player in the world market place.

### Activity 3: Long Term Work Plans

The topics that have been discussed and are being considered as long-term projects are the creation of an incubator facility. This is space available to entrepreneurs that is subsidized as an inducement to new business formation.

~~Small amounts of space can be made available at less than fair market value,~~  
with each business in the incubator sharing a central administrative staff for computer operations, telephone services, and assistance in management. Rules have been discussed with the Economic Development staff, such as, who will decide which new ideas have potential and who will be allowed to enter the incubator space; how long will they be allowed to stay in subsidized space if successful; and, what costs would be charged to the entrepreneur for space, computer services, telephone services, clerical assistance, etc.

There are many industry trade shows conducted in Europe. Some of the managers in the respective industries would visit their industrial trade show. This will allow them to see the quality that is going to be required in order to be competitive. This will also provide them an opportunity to see the latest technology and ask questions of the manufacturer's representatives.

Video tape equipment is available. These are inexpensive. A video tape on Ternopil can be produced, showing the City and Region's advantages and their manufactured products. This will provide two types of information - (1) in pictures and (2) in narratives. It can be easily translated into a number of languages such as Russian, German, Polish, Czech and English. These countries represent the majority of joint foreign trade relationships in Ternopil. Once produced, it can be easily copied and made available to foreign prospects interested in joint ventures. (See Annex D.)

### **TASK III. WORK WITH CITY OFFICIALS AND THE ECONOMIC DEVELOPMENT COMMISSION TO WRITE AN ECONOMIC DEVELOPMENT STRATEGIC PLAN FOR THE TERNOPIIL REGION**

~~The Commission will determine what the hindrances are to the economic~~ well-being and growth of the City. Several of these are capital formation and acquisition, management expertise, infrastructure improvements and availability. The Commission will also determine what are the strong attributes to the economic well-being and growth of the City. Several of these are the available work force skills, agriculture production, excellent rail transportation system, and the attractiveness of Ternopil. This will be done by a survey (Annex C-2) of members. A consensus will be reach and priorities determined by the number of times a particular issue is listed.

Liabilities will be addressed and either improved or mitigated. Issues selected will be assigned to committees composed of 2 or 3 members with an interest and knowledge of the particular area. These areas will then be thoroughly investigated by the committee members. The committee members will, with knowledge of the particular issue, formulate alternative solutions and corrective actions. Once alternative strategies are determined, they will be reported to the full Commission. Topics will meet the following criterion:

- a) It is an appropriate topic for the economy of the area
- b) Can tangible improvements be accomplished
- c) Is there a high probability of success
- d) Is the issue a high priority to the City
- e) Will there be a positive impact to the citizens of the City
- f) Will there be a positive economic benefit.

The Commission will decide which issues will be short-term projects and which will be long-term projects. The full Commission will meet as frequently as necessary, but at least once per month to discuss the strategies and report on progress being made in resolving an issue. An explanation of the strategic planning process that was prepared is enclosed as Annex E.

## U. S. SIDE TO THE TERNOPIIL CONSULTANTCY

When visiting the various manufacturing plant, we saw many opportunities for possible investment and joint ventures. For example, the sugar beet harvester factory has heavy metal working equipment, a skilled work force, ~~and ample excessive space. This excess space could be used for any heavy~~ metal fabrication and assembly such as fork lift trucks. Utilizing modern equipment the fork lifts could be produced and sold in a price range that the businesses could afford. For example, in 1990, a memorandum of understanding was signed between this plant and a large agricultural equipment producer in America, IJ Case. Because of USSR control, it did not materialize at that time. Although this is 5 years old, I plan to follow up on the inquiry. There is a market for 55,000 fork lift trucks in the Ukraine. This seems a good opportunity for a joint venture, if not with IJ Case, with other American companies that manufactures fork lifts.

We also visited a forester who controls 6,800 hectares (17,000 acres) of forest land which contain wild boars, wild goats, bear and other small game. He is interested in a joint venture to establish a hunting club for affluent hunters. He is seeking foreign expertise to advise him on how to build the lodge to make it attractive for foreign hunters. He is also seeking capital to construct the lodge. He can build the lodge using local materials and labor. The forester would provide the land and control who hunts. The available game on the preserve will also be controlled by the forester. The joint venture partners return on investment could be provided in several ways. The forester proposed the partners could share proceeds on an equal basis and use the hunting area as a marketing tool for important clients and customers. I have asked the forester to provide a business plan. Once received this proposal will be presented and explained to prospective investors.

During my tenure in Ternopil, RTI in America has been assembling a team of experienced economic development experts. Upon my return, this team will be assembled and I will present my report and accomplishments. These will then be discussed and possible suggestions and recommendations will be made. These recommendations will then be formulated and forwarded to RTI in Ternopil. There has been discussions regarding bringing several American industrial managers and investors to Ternopil so they can see the tremendous potential that is available in Ternopil. These people would represent a heavy

metal working industry, food packaging industry, and the textile industry. This is in the earlier stages of planning.

I also will contact leaders in the Ukrainian/American community to explain what has been accomplished during my stay in Ternopil and to solicit ~~their support and interest in investing in Ternopil and the Ternopil Region.~~  
This will be accomplished by telephone and fax messages.

## CONCLUSION

Although the economy of Ternopil and Ukraine have many problems, the Economic Development Staff and the Economic Development Commission will have a strong, positive influence over the future of the Ternopil Region. The present City leadership is intelligent, knowledgeable of what needs to transpire, and completely supportive of economic development. As the privatization process increases, business laws are stabilized, and an understanding of the market economy is gained by the citizens and business community, Ternopil and the Region has a strong economically viable future.

## JOINT-VENTURES IN TERNOPIIL CITY

1990

1.		Ukraine-Poland J.,-V. "UkrNIDA"	06, 90
2.		U.-Belgium J.,-V. "Vatra-Schreder"	08, 90

1991

3.	1.	U.-Poland J.,-V. "Sinter"	06, 91
4.	2.	U.-Poland J.,-V. "Beata"	08, 91
5.	3.	U.-Yugoslavia J.,-V. "Niso"	08, 91
6.	4.	U.-Russia J.,-V. "Mega-Com"	09, 91
7.	5.	U.-Russia J.,-V. "Ternopol"	10, 91
8.	6.	U.-Russia J.,-V. "Firm Hak"	11, 91

1992

9.	1.	U.-Georgia J.,-V. "Tamaks"	02, 92
10.	2.	U.-Russia J.,-V. "Nortek-T-Sistems"	03, 92
11.	3.	U.-Poland J.,-V. "Oskar"	05, 92
12.	4.	U.-Germany J.,-V. "Unimex-Ternopol"	05, 92
13.	5.	U.-Germany J.,-V. "Rollspeed"	05, 92
14.	6.	U.-Russia J.,-V. "Technotern"	07, 92
15.	7.	U.-Canada J.,-V. "Pitsa-Hat"	07, 92
16.	8.	U.-Austria J.,-V. "Edland"	07, 92
17.	9.	U.-Estonia J.,-V. "Pavaly-Ternopol"	07, 92
18.	10.	U.-Russia J.,-V. "TBSK Ltd."	09, 92
19.	11.	U.-Poland J.,-V. "Yastr"	10, 92
20.	12.	U.-Poland J.,-V. "Kupon"	10, 92
21.	13.	U.-Canada J.,-V. "Intersis"	10, 92
22.	14.	U.-Germany J.,-V. "Incomtransburo"	10, 92
23.	15.	U.-Canada J.,-V. "Mr. Goodbay-Teksna"	10, 92
24.	16.	U.-Canada J.,-V. "International Investments"	10, 92
25.	17.	U.-Poland J.,-V. "Terpolex"	10, 92
26.	18.	U.-Poland J.,-V. "Gromada" Ltd.	10, 92
27.	19.	U.-Germany J.,-V. "Eurokray"	10, 92
28.	20.	U.-Germany J.,-V. "Auto-Union"	11, 92
29.	21.	U.-China J.,-V. "Ter-Hualan"	11, 92
30.	22.	U.-Russia J.,-V. "Noy"	12, 92
31.	23.	U.-Bulgaria J.,-V. "Era"	12, 92
32.	24.	U.-Germany J.,-V. "Oilproduct-Vega"	12, 92

1993

33.	1.	U.-Poland J.,-V. "Polost"	01, 93
34.	2.	U.-Germany J.,-V. "IRPS-BBN"	02, 93
35.	3.	U.-Poland J.,-V. "Edelveys"	02, 93
36.	4.	U.-Poland J.,-V. "Mustang"	04, 93
37.	5.	U.-Slovakia J.,-V. "Trnava"	04, 93
38.	6.	U.-Canada J.,-V. "Domar Travel"	04, 93
39.	7.	U.-Poland J.,-V. "Pollex"	04, 93
40.	8.	U.-Russia J.,-V. "Horos"	04, 93
41.	9.	U.-Germany J.,-V. "RR" Ltd.	04, 93
42.	10.	U.-Russia J.,-V. "TTK"	05, 93
43.	11.	U.-Germany J.,-V. "Contec"	05, 93
44.	12.	U.-Poland J.,-V. "Atlantida"	05, 93
45.	13.	U.-Germany J.,-V. "Inter Kempfern"	05, 93
46.	14.	U.-USA J.,-V. "Privat School Of Shneak"	05, 93
47.	15.	U.-Australia J.,-V. "West"	06, 93

40.	16.	U.-Russia J.-V.	"Kicm"	06.93
49.	17.	U.-Russia J.-V.	"Cascad"	06.93
50.	18.	U.-Russia J.-V.	"Akos"	06.93
51.	19.	U.-Sweden J.-V.	"Diana-International"	06.93
52.	20.	U.-Poland J.-V.	"Masta"	07.93
53.	21.	U.-Russia J.-V.	"Rafael"	08.93
54.	22.	U.-Russia J.-V.	"Sportclub Olvi"	08.93
55.	23.	U.-Syria J.-V.	"Sharm"	09.93
56.	24.	U.-Bulgaria J.-V.	"ITX-Primat"	09.93
57.	25.	U.-Australia J.-V.	"Volhontet-Banchy"	09.93
58.	26.	U.-Russia J.-V.	"Svyatoy & K"	10.93
59.	27.	U.-Poland J.-V.	"Tepol" Ltd.	12.93

1994

60.	1.	U.-Russia J.-V.	"Bona"	01.94
61.	2.	U.-Czechia J.-V.	"M.-Eder"	01.94
62.	3.	U.-Bulgaria J.-V.	"Primex"	02.94
63.	4.	U.-Russia J.-V.	"Moranta"	02.94
64.	5.	U.-Turkey J.-V.	"Dan-Meteor"	03.94
65.	6.	U.-Poland J.-V.	"Interdin"	03.94
66.	7.	U.-Yugoslavia J.-V.	"Ternosad" Ltd.	04.94
67.	8.	U.-China J.-V.	"O-la-la"	04.94
68.	9.	U.-Estonia J.-V.	"Estern"	05.94
69.	10.	U.-Czechia J.-V.	"Motor-Sport"	08.94
70.	11.	U.-Poland J.-V.	"Fenix"	08.94
71.	12.	U.-Russia J.-V.	"Crossroads"	08.94
72.	13.	U.-Russia J.-V.	"Patriarh"	08.94
73.	14.	U.-Italy J.-V.	"Park"	08.94
74.	15.	U.-Beloruss J.-V.	"Ellin"	08.94
75.	16.	U.-Poland J.-V.	"Eurotrade"	08.94
76.	17.	U.-Poland J.-V.	"Intercom"	08.94
77.	18.	U.-Hungary J.-V.	"Podillya Inter Coop."	08.94
78.	19.	U.-Germany J.-V.	"Vlas & LK"	09.94
79.	20.	U.-Russia J.-V.	"Krocus"	09.94
80.	21.	U.-Poland J.-V.	"Termaxpol"	10.94
81.	22.	U.-Canada J.-V.	"Empaer"	10.94
82.	23.	U.-Poland J.-V.	"Mastar"	10.94
83.	24.	U.-Poland J.-V.	"Mirta"	10.94
84.	25.	U.-Beloruss J.-V.	"From Sergio"	12.94
85.	26.	U.-Poland J.-V.	"SET" Ltd.	12.94
86.	27.	U.-Czechia J.-V.	"Holt" Ltd.	12.94
87.	28.	U.-Hungary J.-V.	"Macoty Internobil"	12.94
88.	29.	U.-Bulgaria J.-V.	"GalPrimat"	12.94

TOTALLY

1.	Ukraine-Poland Joint-Ventures	23
2.	Ukraine-Russia J <sub>1</sub> -Vs	20
3.	Ukraine-Germany J <sub>1</sub> -Vs	11
4.	Ukraine-Canada J <sub>1</sub> -Vs	6
5.	Ukraine-Bulgaria J <sub>1</sub> -Vs	4
6.	Ukraine-Czechia J <sub>1</sub> -Vs	3
7.	Ukraine-Hungary J <sub>1</sub> -Vs	2
8.	Ukraine-Yugoslavia J <sub>1</sub> -Vs	2
9.	Ukraine-Estonia J <sub>1</sub> -Vs	2
10.	Ukraine-Beloruss J <sub>1</sub> -Vs	2
11.	Ukraine-Australia J <sub>1</sub> -Vs	2
12.	Ukraine-China J <sub>1</sub> -Vs	2
13.	Ukraine-Slovakia J <sub>1</sub> -Vs	1
14.	Ukraine-Austria J <sub>1</sub> -Vs	1
15.	Ukraine-Georgia J <sub>1</sub> -Vs	1
16.	Ukraine-Belgium J <sub>1</sub> -Vs	1
17.	Ukraine-USA J <sub>1</sub> -Vs	1
18.	Ukraine-Syria J <sub>1</sub> -Vs	1
19.	Ukraine-Sweden J <sub>1</sub> -Vs	1
20.	Ukraine-Turkey J <sub>1</sub> -Vs	1
21.	Ukraine-Italy J <sub>1</sub> -Vs	1

I. Export from Ternopil Region to different countries during 1994.

	Millions Ukr. cur-cy	Thousands dollars US	%
<u>Total</u>	1628122,0	53915,8	100,0
<u>NIS</u>	1307401,6	44775,9	83,03
Russia	975501,5	32034,4	59,50
Azerbadjan	11223,3	362,8	0,67
Belaruss	158626,5	4336,9	8,04
Armenia	226,2	11,3	0,02
Kazachstan	14956,1	1112,2	2,06
Kirgistan	2059,0	58,2	0,12
Moldova	16592,5	805,0	1,49
Tadzikistan	5018,3	179,3	0,33
Turkmenistan	15248,7	1151,0	2,13
Uzbekistan	45195,1	2710,7	5,03
Latvia	24503,3	669,1	1,24
Lithuania	26392,5	834,2	1,55
Estonia	10858,6	460,8	0,85
<u>Europe</u>	257822,6	7299,7	13,56
Belgium	105,3	8,3	0,02
Bulgaria	27377,4	795,1	1,47
Great Britain	6620,8	341,0	0,63
Greece	542,2	27,9	0,05
Italia	2473,2	28,0	0,05
Nethnrlands	5059,0	142,9	0,26
Germany	86185,2	2301,6	4,27
Poland	54514,4	1513,3	2,82
Romania	14501,0	403,5	0,76
Slovakia	19590,0	492,2	0,92
Hungaria	24888,9	800,0	1,49
Macedonia	6107,5	131,9	0,24
Czechia	7909,6	253,7	0,49
Yugoslavia	1948,1	50,3	0,09
<u>Asia</u>	61608,2	1776,4	3,29
Afghanistan	8591,5	307,6	0,57
Indonesia	1088,5	10,0	0,02
Lebanon	32899,4	996,5	1,85
Syria	16750,6	320,0	0,58
Turkey	103,4	8,2	0,02
Sri Lanka	2174,8	134,1	0,25
<u>America</u>	34,6	1,4	-
USA	34,6	1,4	-
<u>Australia</u>	1255,0	62,4	0,12

2. Import to Ternopil Region from different countries  
during 1994.

	Millions Ukr. cur-cy	Thousands dollars US	%
<u>Total</u>	1140424,2	35333,5	100,0
<u>NIS</u>	841197,0	27286,6	74,92
Russia	127334,2	12049,7	33,11
AZERBADJAI	29605,9	647,4	1,78
Belaruss	122156,9	3386,5	9,31
Georgia	228,2	11,4	0,03
Kazachstan	5,2	0,6	-
Kirgistan	1962,4	143,7	0,39
Moldova	18730,3	675,1	1,86
Tadzjikistan	791,0	62,4	0,17
Turkmenistan	11981,1	780,9	2,15
Uzbekistan	175307,9	6442,4	17,70
Latvia	12021,5	266,8	0,73
Lithuania	58981,9	2759,3	7,58
Estonia	1690,5	60,4	0,17
<u>Europe</u>	210158,5	6320,8	17,38
Austria	9284,1	243,9	0,67
Belgium	154,9	4,0	0,01
Bulgaria	13716,0	260,7	0,72
Great Britain	136,5	1,5	0,00
Italia	432,8	34,3	0,09
Netherlands	3825,3	81,4	0,22
Germany	57450,7	1837,9	5,05
Poland	84307,2	2058,4	5,66
Romania	660,9	48,7	0,13
Slovakia	4578,5	194,8	0,54
Hungaria	11482,1	276,4	0,76
Finland	309,9	15,9	0,04
Horvattia	364,5	209,4	0,58
Makedonia	5346,1	250,6	0,68
Chehia	14309,0	802,9	2,21
<u>Asia</u>	76593,1	2207,7	6,07
Afghanistan	3920,0	194,9	0,54
Vietnam	27010,7	463,9	1,29
India	13660,9	814,8	2,24
China	17090,2	157,0	0,43
Lebanon	12828,9	493,3	1,36
Singapore	1726,4	51,8	0,14
Japan	356,0	27,0	0,07
<u>America</u>	633,0	19,7	0,05
Canada	441,6	5,0	0,01
USA	196,4	14,7	0,04
<u>Australia</u>	11837,6	553,7	1,52

Structure of Export Trade from Ternopil Region  
during 1994<sub>1</sub>

	Millions Ukr <sub>1</sub> cur-cy	Thousands dollars US	<i>def</i> 100
<u>Total</u>	1628728,2	53927,8	100,0
Live stock and food products			
of cattle origin	219062,8	6770,7	12,6
Food products of vegetal origin	30803,4	1109,8	2,1
Sugar and sugar products	699904,3	23235,7	43,1
Mineral products	4645,6	98,7	0,2
Production of chemical industry	44424,7	1671,9	3,1
Plastic-works, ruber-works	7196,8	234,5	0,4
Skin-work and furs	5821,5	133,5	0,2
Wood-work	10612,2	409,2	0,8
Paper	359,9	12,0	-
Textile	20713,0	1109,5	2,1
Stone-work, glass-work	21357,4	727,4	1,3
Metalware (ironware)	21938,0	475,9	0,9
Machines, electric equipment	189537,4	7295,6	13,5
Vehicles	5507,2	219,7	0,4
Measuring instruments	31,4	1,1	-
Other manufactured goods	346812,6	10422,0	19,3

- b. Responsible for planning, coordinating and executing of all aspects of the Economic Development Office
  - c. Serve as a liaison with the public
  - d. Promote a "pro-business" climate and work to eliminate disincentives for investment .
2. Chief of Internal Investments
- a. Responsible for assistance to small business
  - b. Assist in the writing of business plans
  - c. Assist in the securing of financial resources
  - d. Responsible for assistance to existing business
  - e. Industry visitations and completion of visitation reports and assessments
  - f. Maintenance of current files, forms and cost of starting a new business
  - g. surveying and maintaining records on available land and existing manufacturing space
3. Chief of External Investments
- a. Encourage the investment of Foreign businesses
  - b. Maintenance of current rules and tariffs on import and export of goods
  - c. External promotion of Temopil at various functions such as trade shows
  - d. Develop and maintain contacts with new foreign business sources, i.e. Ukraine Chamber of Commerce, and consultants
  - e. Responsible for advertising to international businesses such as the Home Page on the World Wide Web.
4. Computer Operator
- a. Responsible for maintenance for all statistical data, data bases and current statistics such as unemployment, underemployment, labor force, etc.
  - b. Responsible for desk top publishing of all brochures and promotion literature
5. Lawyer
- a. Responsible for advising on legal requirements for join ventures
  - b. Responsible for advising on legal requirements for starting a business
  - c. Represent the Office in all legal matters.
  - d. One stop permitting for starting a business, joint venture, of foreign investments

We also discussed the task of the Economic Development Office:

- 1. To maintain reference materials and knowledge of the current tax structure, to include import/export tariff structure
- 2. Assessment of the assets and liabilities of Temopil
- 3. Understand and encourage to the business community the necessary quality for the Global Market place
- 4. Small business assistance
- 5. One stop permitting assistance
- 6. Advertising and promotion of Temopil
- 7. Financial assistance

Generally we also discussed the potential of establishing a Small Business Center, the concepts and benefits of an incubator for small business to encourage new start ups.

The Economic Development Commission was discussed and a survey form was created and translated. This survey form would be used to help the Commission focus and prioritize the issues the Commission selected as most important.

A crude example of a promotional brochure was prepared and used as an example of the type of brochure that should be published. The cover should be four (4) color with appealing pictures and locational map. It should have a glossy finish on high quality paper. The inside should contain pockets with different length inserts on topics such as location, climate, culture, labor data, utilities, government form and existing enterprises with number of employees and products.

With only one and a half to two weeks remaining on my initial visit to Temopil, I feel there is much that has not been accomplished that was originally planned. Rather than continuing to introduced new concepts, I think it would be better to hone the concepts that have been heretofore discussed to verify a full understanding fo these has been grasped. Should the opportunity arise for the indruction of additional ideas this opportunity will be utilized. There is a considerable amount of economic data that is needed for background as to current conditions that was only received this week and has not been translated to date. This will be done this week.

## Weekly Summary for Week of March 6 - March 11

This week began with a meeting between Victor Litvenchuck, I and Paul Hoover. The purpose was to review what had been accomplished and plans for the remaining two weeks. Paul suggested we discuss short range plans for the next three months for the Economic Development Office. Much has been accomplished. The staff positions recommended for the Economic Development Office have not officially been filled. This is due to the salary being offered by the City. Individuals have been interviewed and specific individuals selected by Victor Litvenchuck. For example, one individual is to let him know of acceptance by March 20th. There still remains economic base line data that has not been interpreted.

The Economic Development Commission members have been selected and contacted as to their willingness to serve. A brief description of the functions of the Commission has been given. The initial meeting for the Commission is scheduled for March 15th. At this meeting there will be an explanation as to the commission's function, the Economic Development's Office function, and introduction into the Economic Strategic Planning process. Also at this meeting, a brief definition, a brief scope of work, and a survey will be distributed. The survey will determine what they feel are the assets, liabilities, and what are the greatest problems facing Ternopil. This is a first step in beginning to gather information for an Economic Strategic Plan.

This week, Victor Litvenchuck and I met with a forester to controls 2,800 hectares of forest land. It contains much wild game. He explained, hunting is very expensive in Ukraine and only the wealthy can hunt. He proposed to provide the forest land for a hunting refuge, land for an exclusive hunting lodge and management. In return, he was seeking foreign expertise as to the type of lodge to build and capital investment to construct the lodge. He proposed, the foreign investor could equally share in the profits, he and his colleagues could hunt for free, or he was open to some other form of repayment for the expertise and capital.

We had a visitor who has an Ukrainian/American uncle who was seeking to purchase a restaurant in Ternopil. Although the visitor would not give me the name of the Uncle, I provided my telephone number and fax number so the Uncle could contact me on my return to the states for follow up.

Next week will be spent in preparing for the initial Economic Development Commission meeting which will take place on Wednesday.

Victor L. has informed me there is a press conference also planned for Thursday at which he would like for Paul Hoover and I to attend.

Thanks for the information on the lighting fixture representatives. This will be sent to our inquiry form Germany.

I plan to change my departure date from Ukraine from Saturday with an arrival in Raleigh/Durham on Sunday evening to depart and arrive in RDU on Friday.

Structure of Import shipments to Ternopil Region.  
during 1994.

	Millions Ukr. cur-cy	Thousands dollars US	%
<u>Total</u>	1149780,5	35392,5	100,0
Live stock and food products			
of cattle origin	23169,9	911,6	2,5
Food products of vegetal origin	33795,6	1551,4	4,3
Sugar products	38630,6	1121,7	3,1
Mineral products	81996,6	6103,6	16,8
Production of chemical industry	86473,7	2250,7	6,2
Plastic-work, rubber-work	69415,3	1899,8	5,2
Shin-work and furs	233,0	0,2	-
Wood-work	962,2	259,4	0,7
Paper	13623,2	613,7	1,7
Textile	22122,1	845,0	2,3
Foot-wear	9512,3	163,3	0,5
Stone-work, glass-work	951,7	397,7	1,1
Metalware (ironware)	62005,5	2627,6	7,2
Machines, electric equipment	225312,6	6976,3	19,2
Vehicles	124893,9	3547,7	7,0
Measuring instruments	2475,4	83,1	0,2
Other manufactured goods	9535,3	408,3	1,1

MFM PROJECT - TERNOPIIL

Scope of Work - Economic Development Task

Primary Objective - Improve the City administration's capacity to support, promote and regulate economic development in the city and region in the context of a market economy.

Major Activities - An economic development consultant will work in Ternopil to:

1. help create an Economic Development Office,
2. advise and assist in setting up an Economic Development Commission,
3. work with City officials and the Economic Development Commission to write an economic development strategic plan for the Ternopil region, and
4. determine the feasibility of an Economic Development Authority.

The economic development consultant will complete this work in two stages. He will come to Ternopil in late January or early February to initiate this work and stay in Ternopil for 4 to 6 weeks for the first part of the assignment. During this period, the consultant will work with City officials to determine and define staff needs for an Economic Development Office and assist in the process of hiring and training new staff. The City will select an official to be in charge of this Office and the consultant will advise this manager on the operation and production of the Office's initial services and products. The consultant will advise the Manager on the selection and use of two computer systems. First, the Office will need a desk top publishing system to support production of brochures, product literature, reports and other materials. An additional computer will be used to maintain databases on the local and regional economy, the socioeconomic characteristics of the population and labor force and other data useful for recruiting new businesses. The consultant will help train the new staff and a local computer dealer will provide computer training.

During this first work period, the consultant will also work with City officials and the Manager of the Economic Development Office in selecting and starting an Economic Development Commission composed of leaders in the City, local business community, and academia that have a strong interest in the economic development of Ternopil. The consultant will advise the Commission on the basic steps in designing an economic development strategy for the Ternopil region. At the end of this first work period, the consultant will leave the Manager of the Economic Development Office and the Commission Chairman an agenda for completing an economic development strategic plan for Ternopil.

The consultant will make a second trip to Ternopil

a month or two later for a period of approximately four weeks. During this second work period, the consultant will:

- (1) work with the Manager of the Economic Development Office on the operations and basic functions of the Office to ensure that the Office has several clear, achievable objectives which can have specific benefits for Ternopil,
  - (2) advise and assist the Economic Development Commission on the completion of the Economic Development Strategic Plan for Ternopil, and
  - (3) initiate and assist in doing a feasibility study of an Economic Development Authority for Ternopil.
- The consultant will be able to do some initial work on this third task, the feasibility study, while they are in the U.S. between the two work periods in Ternopil.

As a related part of this Scope of Work, RTI staff will recruit a panel of economic development experts that will serve as an advisory group for the consultant. The consultant will meet with this advisory group after his first and second work periods in Ternopil. One of the basic purposes of this advisory panel will also be to design a trade mission to Ternopil that will consist of some of the members of the advisory group and managers of selected businesses that have a strong interest in potential business investments in Ukraine. This trade mission will visit Ternopil next summer or early fall after the Economic Development Office is operational with published data and information reports on the local economy and labor force.

## The Scope of Work for the Manager of the Economic Development Office

### I. General Principles

The Economic Development Commission is formed by the Executive Council of the City Administrative of the Deputies and it will be under the control of the Mayor and Executive Committee.

#### Main Task:

1. To support and give help to the City Economic Development Office in marketing conditions.
2. To create conditions for development for enterprise development for the various forms of property and to enhance market environment.
3. To help people start private business
4. To organize all productive forces of the city Economic development.  
To help people understand privatization and market reforms, and disseminate this information

#### Duties of Manager:

1. To analyse present economical situation and discuss propositions and future plans of it.
2. To set up computer data base with number of enterprises, how many are new.
  - a. Maintain data about enterprises, what they produce, how many products, Number of employees (both Male and Female).
  - b. Information about location of new enterprises and infrastructure data
  - c. Information about skills available
  - d. What skills are lacking
  - e. Information about training of labour force
3. To create with Land Resources Department the G.I.S. system for economic development purposes by using mapping. There is a need to prepare maps of infrastructure data, space available, and equipment available in existing space.
4. To prepare space for industrial and commercial space for start up businesses and for businesses to purchase.
5. To set up computer data bank of legal data which is necessary when someone wants to start a new business and/or joint venture
6. To simplify the system to do above and explain laws and forms needed.

7. Organize and publish all material of registration of beginning a new enterprise.

8. Maintain information on directories and catalogues of enterprise activities of the different types of enterprises in the city. This will be a help in attracting investment.

9. To give advertisement on E-Mail and electronic advertising. And to ~~use the mass media and information to the Internet World Wide Web~~.

10. To publish brochures and advertisement materials and reports

11. Analyse impacts of brochures and materials to the public

12. To set up technical and a directory library of business enterprises.

13. To set up consultation service and prepare training programs to teach people how to write a business plan, analyse financial alternatives, and give advise to set up and do business in private enterprises.

14. To visit private enterprises and provide private consultation and help in securing financial resources.

15. To help local enterprises prepare promotion materials in foreign languages.

16. To help City Administration to form relationships with local and foreign enterprises. To help and assist local and foreign clients. To form positive conditions for foreign investments.

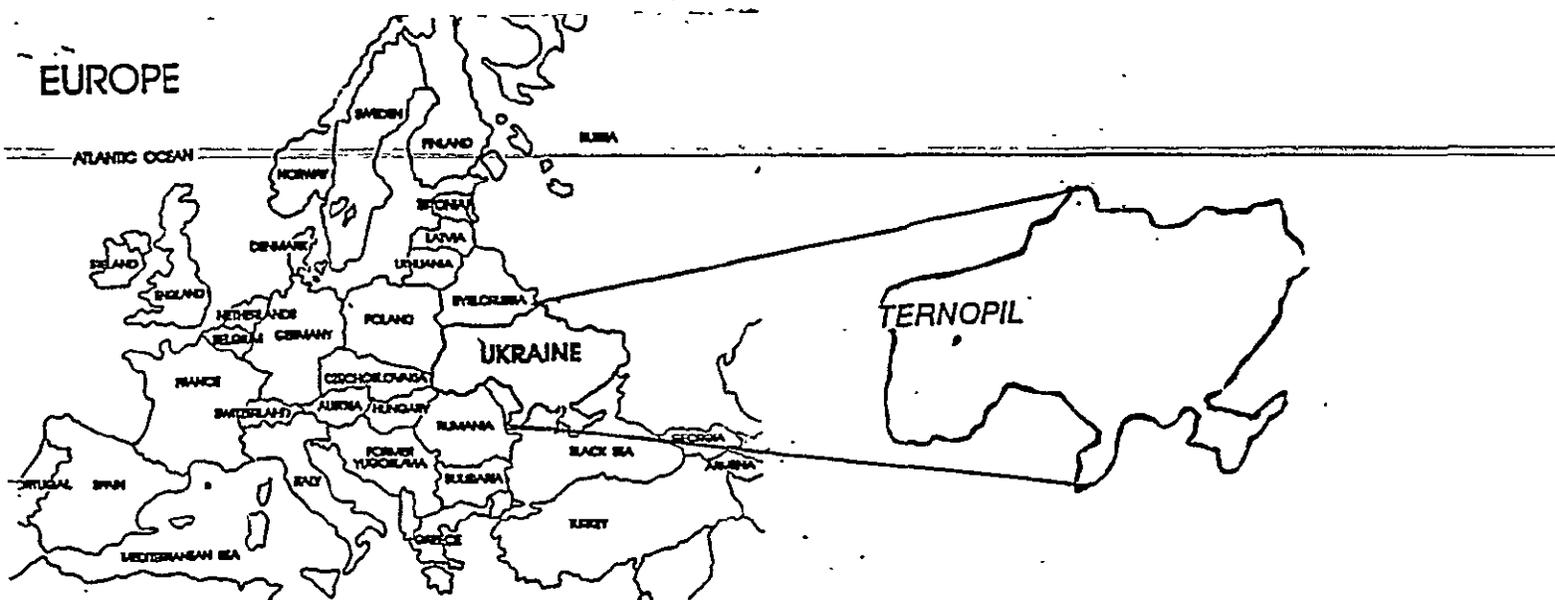
17. To help and set up new kinds of business capital investments in new types of businesses.

18. To help new markets discover new markets for local products.

19. To help attract people to work in private business and to increase city budget

20. To have staff to carry out Commission wishes and give advise to Commission on new ideas.

# TERNOPIL



Місто засноване 1540 року. Вигідне розташування міста сприяло розвитку торгівлі і ремесел. В 1548 році воно отримало Магдебургське право.

Тернопіль - 240-тисячний обласний центр нової демократичної держави, яка утворилася в 1991 році після розпаду колишньої радянської імперії. Влада в місті демократична і відкрита для активної співпраці з діловим і культурним світом.

Через Тернопіль проходять майже всі залізничні і автомобільні шляхи сполучення, які з'єднують Схід із Західною Європою. Відстані від Тернополя до кордонів найближчих країн Європи становить 220-350 км.

Через Тернопільщину прокладено кілька ниток магістральних газопроводів для транзиту газу в країни Західної Європи.

Телефонною мережею місто зв'язане з усіма країнами світу.

Неподалік Тернополя запланована прокладка швидкісної трансєвропейської автомагістралі Барселона - Мадрид - Київ, а також швидкісної залізничної магістралі Київ - Варшава - Берлін.

В Тернополі висока концентрація підприємств легкої, харчової, машинобудівної і радіоелектронної галузей. Туя виробляється бавовняна тканина, буряко - і кормозбиральні комбайни, побутові і промислові освітлювальні прилади, засоби ефірного і космічного зв'язку, штучна шкіра і лінолеум, будівельні матеріали, в тому числі високоякісна обробка природних каменів, розвинута будівельна база.

З Тернополем пов'язані відомі світові імена оперної співачки Соломії Крушельницької, першовідкривача X-променів фізика і математика Івана Пулюя.

Тернопіль - значний науково-освітній центр України. Тут функціонує 4 вищих навчальних заклади - Академія народного господарства, медичний, педагогічний і приладобудівний інститути, кілька коледжів та ліцеїв, 32 загально-освітніх школи, де навчається понад 40 тис. студентів і учнів.

3.

Ласкаво просимо до нашого міста. Прибувши у Тернопіль туристом, ви залишите його бізнесменом.

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~~Детальнішу інформацію ви зможете отримати в Центрі економічного розвитку міста:~~

Україна  
282001, м. Тернопіль,  
вул. Листопадова, 5  
Тел.: /03522/ 2-65-30  
Факс.: /03522/ 5-17-83

AMERICAN CHAMBER OF COMMERCE IN UKRAINE  
membership list as of December 16, 1994

1. ABA / CEELI
2. ALAN Co. Ltd.
3. Apple Computer, IMC
4. Arthur Andersen
5. AT&T Central Europe Ltd.
6. AT&T - NSI

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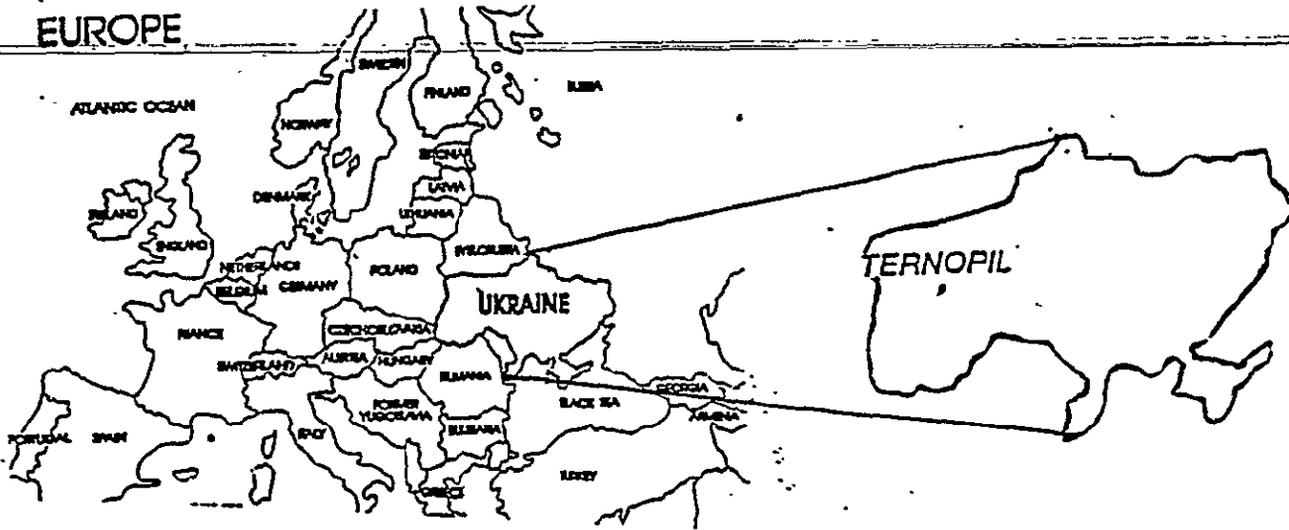
7. Bahr & Company
8. Booz-Allen & Hamilton, Inc.
9. British Embassy
10. Cabot USA - Ukraine
11. Cargill Enterprises Inc.
12. C.I.L. Limited
13. Citizens Network Agribusiness Alliance (CNAA)
14. Coca-Cola Ukraine Ltd.
15. Computer Centers of Ukraine
16. Coopers & Lybrand
17. Corstjens Eastern Europe Business
18. Credit Lyonnais
19. Deloitte & Touche
20. DHL Worldwide Express
21. Digital Equipment Ukraine
22. Du Pont de Nemours Intl
23. Eastern Economist Magazine
24. Ekolos Ltd.
25. EC TACIS Negotiation Project
26. Elcon East, Inc.
27. Eli Lilly Pharmaceuticals
28. Ernst & Young Ukraine
29. Ethicon (Johnson & Johnson)
30. Frishberg & Partners
31. Gazprom
32. General Electric International
33. German Embassy
34. Grischenko, Paliashvili & Partners
35. Intelnews, Inc.
36. Interface Flooring BV
37. International Executive Services Corps (IESC)
38. International Management Institute
39. Inter-Trade Industries International, Ltd.
40. ITOCHU Corporation in Kiev
41. Kancom/Andrew Corporation
42. Kyiv Polytechnic Institute Business Incubator
43. Lifeline Ministries International Inc. / St. Andrew's Preparatory School
44. Linea 12
45. 3M Representation Office
46. Maersk Ukraine Ltd.
47. Merck, Sharp & Dohme Idea, Inc.
48. Mercury Globe Ukraine
49. Monsanto
50. Motorola
51. Natural Power Intl., Inc.
52. NCH
53. Omega Thermal Technologies, Inc.
54. PADCO (A.I.D. Contractor)
55. People to People
56. Perekhid Media Enterprises
57. Polar Construction Ukraine
58. PTT Telecom Netherlands Kiev
59. R. J. Reynolds Tobacco International - Ukraine
60. Rothmans of Pall Mall (Ukraine)
61. Salans, Hertzfeld & Heilbronn
62. Scandinavian Airlines (SAS)
63. SC Johnson Kiev

64. Shell International Petroleum Company Limited
65. Sophia Transcon Industries, Ltd / Kiev-Atlantic Holdings, Ltd
66. Sovam Teleport
67. Squire, Sanders & Dempsey
68. Supermash Joint Venture
69. Swiss Embassy
70. Systems Automation, Inc.
71. Technology Management Company
72. THE Intel GROUP
73. Transatlantic Trading Corporation
74. Trident Consulting
75. Troyan Corporation

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76. ~~Ukraine Fund~~
77. Ukrainian-American College of Business
78. Ukrainian Financial Group
79. Ukrainian International Airlines
80. Ukrainian Management Consultants (UMC)
81. Utel Joint Venture
82. Westinghouse Electric S. A.
83. Winner Ford Kiev
84. Worldwide Manufacturing E.D.
85. Ziegler & Associates

EUROPE



PICTURE  
AGRICULTURE

PICTURE  
MANUFACTURING

PICTURE  
SCENERY

LOCATION

CLIMATE

LABOR

UTILITIES

EDUCATION

TRANSPORTATION

LIVABILITY

MANUFACTURING

### EXISTING INDUSTRY VISITATION REPORT

Date of Visit: \_\_\_\_\_ Visitation Number \_\_\_\_\_

Company Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone Number \_\_\_\_\_ Fax Number \_\_\_\_\_

Contact Person's Name \_\_\_\_\_

Products Produced \_\_\_\_\_

Average Number of Days per Month Working \_\_\_\_\_

Number of Employees \_\_\_\_\_ Male \_\_\_\_\_ Female \_\_\_\_\_

Average Wage \_\_\_\_\_

Form of Business \_\_\_\_\_

Major Customers \_\_\_\_\_

Major Markets \_\_\_\_\_

Importation of Good or Raw Materials and from where \_\_\_\_\_

Exportation of Products \_\_\_\_\_

(Where) \_\_\_\_\_

Training Needs for Management \_\_\_\_\_

for Workers \_\_\_\_\_

Any Unmet Skill Needs \_\_\_\_\_

Areas requiring Assistance from the Economic Development Office or the \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

ВІСТІВ ПРО ВИРОБЛЕННЯ ГОСПОДАРСТВ  
ЦІ ПІДПРИЄМСТВА

Дата візиту - 7.02.95

Назва підприємства - орендне підприємство "Текстерно"

Адреса - 282010, м. Тернопіль, вул. Текстильна, 18.

Телефон - 2-52-52; 2-63-13; 2-62-12; факс 2-61-2

К-сть працівників - 8500

з них жінок (%) -

Середня заробітна плата -

Продукція, яка виробляється - тканина бавовняна, швейні  
вироби з тканини, предмети бавовняне

Форма власності - оренда

Найбільші споживачі, ринки збуту - Україна

Поставля сировини /звідки/ - Узбекистан

Експорт продукції /куди/ - Чехія, Польща, Італія

Потреба в робітниках відповідної кваліфікації, яка на сьогодні  
не задоволена - немає потреби

Питання, для вирішення яких необхідна допомога міського виконав-  
чого комітету: забезпечення транспортом

Планування необхідної роботи за результатами опитування  
/оцінка/:

- розробка рекламних матеріалів;
- допомога в поєднанні сировиною;

ЗВІТ ПРО ВІДВІДАННЯ ПРОМИСЛОВОГО  
ПІДПРИЄМСТВА

Дата візиту - 13.02.95

Назва підприємства - Ltd "Мелкомтефт"

Адреса - 282008, м. Тернопіль, вул. Медова, 2

Телефон - 5-25-62; 2-08-01; 2-54-49; 2-71-88; факс 5-24-96

К-сть працівників - 600

з них жінок /%/ - 40%

Середня заробітна плата -

Продукція, яка виробляється - Деревобробка, Шпон, Аркети, При-  
котане, Будівництво, Транспортні послуги, Торівля.

Форма власності - приватна

Найбільші споживачі, ринки збуту - Україна

Поставка сировини /звідки/ - Україна

Експорт продукції /куди/ - Румунія, Словаччина, Чехія

Потреба в робітниках відповідної кваліфікації, яка на сьогодні  
не задоволена. - нема потреби

Питання, для вирішення яких необхідна допомога міського виконав-  
чого комітету: тільгове. сподаткування

Планування необхідної роботи за результатами ознайомлення  
/оцінка/:

- розробка рекламних матеріалів;
- співпраця у збуті продукції;

ЗВІТ ПРО ВІДВІДАННЯ ПРОМИСЛОВОГО  
ПІДПРИЄМСТВА

Дата візиту - 13.02.95

Назва підприємства - акціонерний банк "Оазис"

Адреса - 282008, м. Тернопіль, вул. Сіадникової, 1

Телефон - 2-09-14; 5-29-83; 2-31-40; 2-08-54

К-сть працівників -

з них жінок /%/-

Середня заробітна плата -

Продукція, яка виробляється -

Форма власності - приватна

Найбільші споживачі, ринки збуту -

Поставка сировини /звідки/ -

Експорт продукції /куди/ -

Потреба в робітниках відповідної кваліфікації, яка на сьогодні не задоволена - нема потреби

Питання, для вирішення яких необхідна допомога міського виконавчого комітету.

Планування необхідної роботи за результатами ознайомлення /оцінка/:

RTI

## MFM Program, Ternopil

F A X

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DATE: 03/07/95  
TO: Sam Leaman  
FROM: John Gurganus, RTI, Ternopil, Ukraine, *pl/fax:* 7(03522) 51783  
*ph:* 7(03522) 26530  
RE: *Weekly Activity Report #4*  
PAGES INCLUDING COVER: 3

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### WEEKLY SUMMARY FOR WEEK OF FEBRUARY 27 - MARCH 4

This week began by my participating in an interview of an applicant for the position for computer specialist. This individual has studied in the United Kingdom and was fairly fluent in English. Often we have had applicants that were solely interviewed by Victor Litvenchuck in Ukrainian. The applicant was very qualified. He had experience in desk top publishing, and was familiar with a variety of software packages. After the interview, both Victor L. and I agreed he was a very acceptable candidate for this position. Salaries being offered by the City has hampered the selection of qualified personnel for the positions in the Economic Development Office.

We visited the large Textile company again. This time it was operating and I was able to see the process. A small number of Looms (they had a total of 5000 with one worker responsible for 12) were computer controlled and were modern looking. The remainder were very old. I found it interesting, the manager did not know how much water or sewer was being utilized, although he was using a chlorine bleaching process in preparing the cotton fabric for dyeing. All utilities are municipal services.

Perhaps one of the most interesting visits was to a retail computer store. One of the two owners explained to me the mafia collects 20 % of estimated revenue per month. This was for "protection". The manager explained if this was not paid, "bad" things could happen to him, his family, or his business. He also explained, in the large state enterprises, raw materials were purchased by the state. Several managers would get together and arrange for the more valuable raw materials to be repackaged and transported to a buyer, personally pocketing the proceeds.

This week Victor Litvenchuck and I discussed the Economic Development Office. Its purpose ( To increase job opportunities for the citizens of Ternopil and the region, increase the revenue available to the City, and enhance the overall business climate ) , its charter (this is something like an authorization); the positions needed and job descriptions:

1. Manager
  - a. Supervise all functions of the office

ЗВІТ ПРО ВІДВІДАННЯ ПРОМИСЛОВОГО  
ПІДПРИЄМСТВА

Дата візиту - 14.02.95

Назва підприємства - виробниче об'єднання "Оріон"

Адреса - 282 м. Аеромісь, вул. 15 Жовтня, 6

Телефон - 4-30-14; 4-13-38; 4-33-14; 4-41-40; 4-33-80; факс 4-40-04

К-сть працівників - 5000

з них жінок /%/ - 30-35%

Середня заробітна плата - 15-20 \$

Продукція, яка виробляється - комплексна система радіозв'язку  
"Трансформ" Радіодинамічна побутова

Форма власності - державна

Найбільші споживачі, ринки збуту - країни СНД

Поставка сировини /звідки/ - Росія, країни СНД, Україна (50%)

Експорт продукції /куди/ - Росія, Індія, Середня Азія, Балканія,  
Чехія, Канада

Потреба в робітниках відповідної кваліфікації, яка на сьогодні  
не задоволена - нема потреби

Питання, для вирішення яких необхідна допомога міського виконав-  
чого комітету: Приватизація.

Планування необхідної роботи за результатами ознайомлення  
/оцінка/:

- розробка рекламних матеріалів;
- співпраця у збуті продукції;

ЗВІТ ПРО ВІДВІДАННЯ ПРОМИСЛОВОГО  
ПІДПРИЄМСТВА

Дата візиту - 14.02.95

Назва підприємства - *акціонерне товариство "Ватра"*

Адреса - *282 м. Тернопіль, вул. Миколушкецька, 46*

Телефон - *2-52-10; 2-31-34; 2-54-49; 2-42-48; факс 2-54-49*

К-сть працівників - *5000*

з них жінок /%/ - *50%*

Середня заробітна плата -

Продукція, яка виробляється - *Світильники побутові. Промислові  
рм. Світильники промислові. Пункторегулюючі апарати.*

Форма власності - *приватна*

Найбільші споживачі, ринки збуту - *країни СНД, Росія, Україна*

Поставка сировини /звідки/ - *Росія, Німеччина, Україна*

Експорт продукції /куди/ - *Росія, Німеччина, Англійський Схід*

Потреба в робітниках відповідної кваліфікації, яка на сьогодні  
не задоволена - *нема потреби*

Питання, для вирішення яких необхідна допомога міського виконав-  
чого комітету: *забезпечення перевезень робітників*

Планування необхідної роботи за результатами ознайомлення  
/оцінка/:

- *розробка рекламних матеріалів;*

ЗВІТ ПРО ВІДВІДАННЯ ПРОМИСЛОВОГО  
ПІДПРИЄМСТВА

Дата візиту - 16.02.95

Назва підприємства - Ltd "Аеркомілевфрфрфр"

Адреса - 282010, м. Аеркоміль, вул. Алексимовна, 22

Телефон - 5-09-48; 2-94-61; 2-80-46; 5-05-26

К-сть працівників - 1100

з них жінок /%/ - 85%

Середня заробітна плата -

Продукція, яка виробляється - *Аосуд фрфрфрфрфр*

Форма власності - *приватна*

Найбільші споживачі, ринки збуту - *Україна, Росія*

Поставка сировини /звідки/ - *Україна, Росія, Німеччина*

Експорт продукції /куди/ - *Росія, Англія, Італія*

Потреба в робітниках відповідної кваліфікації, яка на сьогодні не задоволена. - *нема потреби*

Питання, для вирішення яких необхідна допомога міського виконавчого комітету: *переведення робітників до місця роботи*

Планування необхідної роботи за результатами ознайомлення /оцінка/:

- *допомога в збуті продукції;*
- *розробка рекламних матеріалів;*

ЗВІТ ПРО ВІДВІДАННЯ ПРОМИСЛОВОГО  
ПІДПРИЄМСТВА

Дата візиту - 16.02.95

Назва підприємства - *акціонерне товариство "Тернопільський  
автомобільний завод"*

Адреса - *282010, м. Тернопіль, вул. Мехенізька, 28*

Телефон - *2-30-04; 2-20-49; 2-15-34; 2-46-40;*

К-сть працівників - *200*

з них жінок /%/ - *10%*

Середня заробітна плата - *17-20 \$*

Продукція, яка виробляється - *Запасні частини (40%), Ремонт  
автомобілів ГАЗ-53; УАЗ; КАМАЗ (30%)*

Форма власності - *30% - держава; 40% - труд. колектив*

Найбільші споживачі, ринки збуту - *Україна*

Поставка сировини /звідки/ - *Україна*

Експорт продукції /куди/ - *Польща, Румунія*

Потреба в робітниках відповідної кваліфікації, яка на сьогодні  
не задоволена - *нема потреби*

Питання, для вирішення яких необхідна допомога міського виконав-  
чого комітету: *пошуки інвестора*

Планування необхідної роботи за результатами ознайомлення  
/оцінка/:

- *розробка рекламних матеріалів;*

- ,

ЗВІТ ПРО ВІДВІДАННЯ ПРОМИСЛОВОГО  
ПІДПРИЄМСТВА

Дата візиту - 27.02.95

Назва підприємства - АТ "Аеркотівський комбайновий завод"

Адреса - 282019, м. Аеркотів, вул. Лук'яновича, 8

Телефон - 2-44-03; 2-45-22; 2-80-34; 2-84-48; 2-65-00

К-сть працівників - 5400 гол

з них жінок /%/ - 35%

Середня заробітна плата - 20 \$

Продукція, яка виробляється - С/г машини: буряко-і кормозби-  
ральні комбайни, культиватори, інструмент. Запчастини

Форма власності - приватна

Найбільші споживачі, ринки збуту - Україна, Росія

Поставка сировини /звідки/ - Україна, Росія

Експорт продукції /куди/ - Росія, Польща, Німеччина

Потреба в робітниках відповідної кваліфікації, яка на сьогодні  
не задоволена - немає потреби

Питання, для вирішення яких необхідна допомога міського виконав-  
чого комітету: пошуки інвестора

Планування необхідної роботи за результатами ознайомлення  
/оцінка/:

- допомога у відновленні контактів з ав. фірмою "Вейс Корпорейшн";
- допомога у створенні спільного підприємства;
- підготовка рекламних матеріалів.

## ANNEX C-1

## Scope of Work for Economic Development Commission

The Economic Development Commission is an appointed body by the Mayor and serves as an economic advisor to the Mayor and City Officials. The Commission will determine what are the economic assets and liabilities to the economic well being of Ternopil and the Ternopil Region. One of the primary task of the Economic Development Commission is to formulate and recommend to the City Officials, a strategic plan for the City and area.

## Members of the Ternopil Economic Development Commission

1. Negoda, B.A - The Mayor and Chairman of the Commission.
2. Litvenchuck, V.Y.- The Executive Director of the Economic Development Office and Secretary of the Commission.
3. Levkiv, B. - The manager of a share enterprise (Remozuttya), and the Chief of the Regular City Administration Commission of People's Deputies.
4. Vilchynsky, A.- The editor of the newspaper "Ternopil Vechirniy".
5. Karpik, Y. - The manager of Orion Enterprise.
6. Jodzhik, Y. - The manager of LTD firm, Technotern.
7. Zalischuk, O. - Chief of the Oblast architectural department.
8. Muzyka, V. - The Deputy of the Oblast Financial Management Office.
9. Choalyuk, V. - The Chief Deputy of the National Ukrainian Bank.
10. Scub, V. - The Manager of the share Bank, Oazys.
11. Melnyk, A. - The Chief of the Social Economic Planning Department for the institution, Academy of National Economy.
12. Petryk - A faculty member of the food production equipment department from the Polytechnic Institution.

## SURVEY OF ECONOMIC DEVELOPMENT COMMISSION MEMBERS

Please take a few minutes and complete the following questions;

1. Taking a realistic, hard look at Ternopil and the Ternopil Region, please list in no specific order:

A. Ternopil's Advantages for Growth:

B. Ternopil's Disadvantages for Growth:

C. Are there any natural resources that could be developed:

2. What percentage of the citizens of Ternopil and the Region want this area grow economicly? \_\_\_\_\_

3. What percentage of the citizens of Ternopil and the region want the area to remain as it is ? \_\_\_\_\_

4. What is the general feeling of the communications systems within this area as far as communicating with the general public.

Radio

Television

Telephone

Newspapers

5. What are the five (5) greatest needs you see for Ternopil and the Ternopil Region:

1.

2.

3.

4.

5.

Additional Comments:

BUILDING DATA  
TERNOPIŁ, UKRAINE

Annex C-3

Photograph

Building Name  
Street Address  
City Region

Cost: Rent Sale

Is This Building in an Industrial Area?

TOTAL SQUARE METERS  
Manufacturing  
Warehouse  
Office  
Other

STRUCTURE DATA  
Dimensions L W  
Ceiling Height

CONDITION OF BUILDING  
Excellent  
Good  
Fair  
Poor

FORMER USE  
Manufacturing  
Warehouse  
Office  
Other

Date Built  
Site Square Meters

Roof Condition  
Excellent  
Good  
Fair  
Poor

Parking for Employees

MECHANICAL DATA

Type of Heating  
Fuel Source  
Electricity  
Amperes Volts Phase  
Gas Size of Gas Line  
Type of Lighting  
Number of Cranes Kg

Number of Restrooms

UTILITIES AVAILABLE TO BUILDING

Main Water Line Serving Building cm.  
Main Sewer Line Serving Building cm.

SOLID WASTE DISPOSAL

TRANSPORTATION

Nearest Railroad  
Siding to building  
Nearest Major Highway  
Access Road  
Nearest Commercial Airport

LOADING DOOR DIMENSIONS L W H

ADDITIONAL INFORMATION

---

~~Local Contact:~~

Address

Telephone Number

Fax Number

E-Mail Address

INDUSTRIAL SITE DATA  
TERNOPIL, UKRAINE

---

Total Square Meters

Present Usage

Site Name

City

Region

COST

Is this site in industrialized area?

Utilities:

Water Line Location to site	Size
Present Treatment Capacity	
Excess Capacity	

Waste Water Treatment	
Sewer Line Location to Site	Size
Present Treatment Capacity	
Excess Capacity	

Electricity

Voltage Available

Amperers Available

Phase

Gas

Gas Line Location to Site

Cubic Meters Available

Excess Available

Transportation Available

Rail distance

Major Highway distance

Access road Paved

Commercial Airport distance

General

Maps Available

Site Specific Map

Soil Conditions

Site Controled By:

Date Prepared

Data Prepared by:

## FOREIGN-TRADE ACTIVITY

Ternopil Region during 1994.

During 1994 Ternopil Region's enterprises and other organisations performed foreign-trade deals with their business partners from 46 countries all over the world. The total size of foreign-trade turnover consisted 90,3 millions USD, including export - 53,9 millions USD, import - 36,4 millions USD with positive balance 17,5 millions USD.

It has to be noticed that 79,8% of the Region's total foreign-trade turnover ~~belonged to trade relations with CIS (---Republics of former Soviet Union )~~.

Our principal trade partner last year was Russia which has 48,9% of whole trade turnover.

Portions of other countries in foreign-trade turnover consisted only 20,2%, ( Germany, Poland, Czech Republic, Bulgaria, Hungaria, Lebanon, ... )

Bulk of export production and goods consisted of: sugar and sugar products (29,4%), spirituous and soft drinks (8%), food products of cattle origin (10,5%).

*Gov.* Bulk of import production and goods consisted of: raw cotton (17,7%), mineral fuel (16,5%), electric machines and equipment (19,2%), means of transportation (7%), and other.

In whole foreign-trade turnover the principal kind of trade deals were barter deals - 67,7% of all deals.

EXPLANATION OF THE STRATEGIC PLANNING PROCESS AND  
ROLE OF THE ECONOMIC DEVELOPMENT COMMISSION AND  
ECONOMIC DEVELOPMENT OFFICE PRESENTED ON  
MARCH 15, 1995

Strategic Planning - What Is it?

It is a process by which an Economic Development organization or City envisions its future.

A method for identifying and accomplishing the most important actions for growth in view of the City's Strengths and Weaknesses, restrictions and opportunities.

A methodical way to manage change and create the best possible future. The strategic planning process does more than plan for the future, it helps create the future.

To be successful, the strategic planning process should provide criteria for making decisions at all levels of government and should provide a pattern against which all decisions can be evaluated.

There are some basic assumptions one must believe in strategic planning:

1. Correct and effective actions influence the economic destiny of a City and Region.
2. Every area has unique advantages and disadvantages for growth and development. These assets and liabilities affect the economic development actions the City can or should take.
3. Every area has a limited and unique set of resources to use for its economic development programs.
4. The allocation of these resources to various activities and programs must be carefully thought out if the maximum positive impact on the Economic growth and development of the City is to occur.

What is the Strategic Planning Process for Economic Development?

Task:

A. Get organized to carry out the needed actions to accomplish the tasks.

The Economic Development Commission is formed and meeting now. It should meet regularly. In America it meets usually one time a month and more often if needed to accomplish the commissions work.

B. Conduct Economic Assessments. This is to learn where the economy is in Ternopil now. There has been much economic information gathered on such topics as what factories are working, the amount of imports and exports to and from Ternopil and other economic information. Victor has these in the Economic Development Office.

C. Identify Issues that need to be improved. For example some of the issues could be to get the Textile factory working on a regular schedule, to increase the textile factory's products distributed to more areas. To inform the people of the privatization process. .

Item A , B and C involve determining what the economic health of the City and region is now.

D. Define goals and objectives for the economy of Ternopil and the Ternopil Region:

E. Develop strategic action plans. A plan of how the Commission will accomplish the goals for the economy of Ternopil. Where the Commission wants the economy of Ternopil to be in 3 months, 6 months, and longer. For example if one of the goals is to get the Textile factory working on a regular schedule, a strategic action plan would be to determine how to get more cotton for the factory to process. This may involve

F. Assign responsibilities to a small group of Commission members (perhaps 3 or 4 members of the Commission which would be called a committee)

G. Formulate work plans for the Commission that will accomplish the goals that have been selected.

These items involve the formulation of necessary plans.

H. Allocation of resources from the Commission, City and/or Region that will be necessary to carry out the plan you have formed.

I. Evaluate the actions that the commission has taken in reaching the goals selected and the results that have been achieved .

The last points I have just talked about (h through I) are the final task and involve the actual implementation of the plans and is perhaps the most difficult to accomplish. Many Cities and Regional Commissions fail on these last tasks which are the most critical .

By accomplishing these task, this Commission will provide Ternopil with a sense for the direction of the local economic development programs so that growth can be achieved.

I have already said, the first task is to get organized - The Commission has been formed and this is the initial meeting of the Commission . There should be many more meetings held like this one.

The next step is to identify issues - You have in your information a questionnaire. Please complete it and give it to Victor Litvenchuck before you leave. This will be used to identify what issues you see as most important and the priority of those issues you feel are most important for Ternopil.

The next step is forming small committees to investigate the issues you have named as priorities. The Chairman should appoint 3 or 4 people to each committee or working groups with a specific, particular issue identified. These committees will then meet to discuss the issues and explore alternatives. This will lead to formulation of strategies. A strategy is a course of action laid out to reach a specific goal or objective.

These strategies should be based on the following:

1. Local goals and objectives, which reflect Ternopil's economic needs and desires.
2. The opportunities to create the maximum positive impact on the local economy.
3. Is it a strategy that is current?
4. Can tangible action be taken?
5. Is there a high probability of success?
6. Will there be a positive economic impact.

Once the strategies are formulated, they should be reported to the full Economic Development Commission.

The next critical stage in the process is the implementation of the strategy! The carrying out of the strategic Plan.

When all the strategies are collected I think the Commission will have the First Economic Development Strategic Action Plan in the history of Ukraine.

You will have a:

1. A statement of an idea of where and what the Commission and City wants the Ternopil economy to be like in the future.
2. A statement of an economic development plans and issues the Commission wants to achieve.
3. A list of targets to work towards.
4. The Commission will have information of the current economic situation in Ternopil .
5. The Commission will know what resources in time and money are required to achieve the objectives. The Economic Development Office and its staff will be a great resource.

6. The plans and strategy for finding and using the resources identified.
7. The tasks to be done, the Commission Committee members that are responsible
8. You should meet no less than once a month and more often as it is necessary to accomplish the task you have selected.
9. As the Commission works towards accomplishing these task, performance evaluations will need to be made by the Commission. How well are the Committees meeting their goals. Short term achievable goals should be established. If these short term goals are being reached you are making progress towards your task. This means monitoring the progress of each committee. As the Commission reaches the tasks chosen, the Commission will want to review each accomplishment. By evaluating and monitoring the progress being accomplished, the Commission may want to revise the goals and objectives. Set new task and allocate new resources to achieve these new task. And the process begins once again.

Now the Economic Development Commission members role and function is to establish the plan described above with the suggestions, help and consultation of the Economic Development Office staff people. The Economic Development Commission is the policy establishing group. The Economic Development Commission will decide which task are needed, what needs to be done ,and how you accomplish the task. The Economic Development Office personnel will do much of the information gathering and assembling of the necessary data for the Commission to accomplish it's task. The Economic Development Office personnel will be the staff for the Economic Development Commission.

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**/RTI MFM Program, Ternopil, Ukraine**

FAX

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DATE:	02/14/95
TO:	Sam Leaman
FROM:	John Gurganus
RE:	Weekly Activity Report # 1
PAGES INCLUDING COVER:	2

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**ACTIVITY SUMMARY FOR WEEK OF FEBRUARY 6 - FEBRUARY 11**

Arrived in Ternopil on Saturday after a pleasant flight. Were met by David Boer and Paul Hoover at the Lviv Airport. Spent Saturday night in Lviv. Discussions during dinner Saturday and breakfast Sunday enlightening.

On Monday, got to the office and begin learning my way around somewhat. Met Victor and Irene, Paul's interpreters. Both very helpful. Met Halya, my interpreter. Although, as I was to learn, her understanding of business and business terms was limited but she is very eager to learn.

On Monday, Paul and I were invited to lunch by Mayor Negoda and Y. Osadchuk, Chief of the City Economics Department. Both seemed very glad to have me in their city. The Mayor impressed me as being very receptive to new ideas.

Visited very large textile plant which was closed because they could not afford cotton. This large factory was a total vertically integrated operation. It spun yarn, weaved fabric, dyed and finished fabric, and sewed fabric into linens, drapes, apparel. Met with a female assistant manager. She explained when working, it employed 8,500 workers (60 % female). It was undergoing privatization process which apparently for a large factory is a lengthy and bureaucratic process. When completed it will be 80% private and 20% government owned. Because of the lack of hard currency a barter system was used for procurement of cotton as well as other raw materials. Finished goods are shipped by rail to Italy and other European countries.

Met with Mychailo Ibrahimov, City Economic Department Specialist and Alexander Levchenko Agreed Economic Development (ED) office would have five positions: Manager, Lawyer, Domestic Business Specialist, International Business Specialist and computer, desk top publishing specialist. Requirements for positions were decided and position openings were advertised. Individual for manager, had been selected : Mr. Victor Litvenchuck. He was to attend a seminar this week and will start on Monday (Feb. 13 ). Hopefully, the other positions will be filled by February 20 so training for their positions can begin.

I also visited a small computer retail establishment with Mychailo Ibrahimov. The manager expressed two major concerns: 1. the lack of capital to purchase merchandise

and 2. Taxation. Every concern I have visited, in my attempt to understand how business is conducted, has expressed the concern that taxes are too high. This is a privatized firm.

Visited a small furniture factory and had lunch with the owner. This is a private business that leases space from the Government. It produces living room, bed room wall units, and kitchen cabinets from purchased particle board. The quality was very poor and unacceptable by most standards. Toured factory and talked with workers. All operations were done manually on as needed basis. Assembly line and mass production is apparently rare. For example, an old lathe was used only when a round was needed for a stool, holes

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for screws were drilled by hand and screws put in by hand, lamination on particle board was done by one man using an old fashion iron for heat. Employees worked on production incentive and earned between \$10.00 to \$15.00 per month. Working conditions in factory is a far cry from even being close to American conditions.

Next week, ED manager will be here and I plan to begin training him to understand what is expected by businesses seeking new locations. We will also discuss the production of an introductory advertisement for the Internet WWW system. Plan to travel with him to Lviv to see Internet advertisements on Wednesday. The US Chamber of Commerce in Kiev has monthly meeting (scheduled for Feb. 22nd) and I want Ternopil to make brief presentation of assets of Ternopil and the opening of the ED Office. Plan to pursue types of appoints for ED Commission and understanding of relationship between Commission and ED Office Also plan to outline task and activities with Victor today.

**RTI**

**MFM Program, Ternopil**

**F A X**

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**DATE:** February 21, 1995  
**TO:** Sam Leamon  
**FROM:** John Gurganus, RTI, Ternopil, Ukraine, *ph/fax:* 7(03522) 51783  
*ph:* 7(03522) 26530  
**RE:** Weekly Activity Report #2  
**PAGES INCLUDING COVER:** 2

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**Activity Report Summary for Week of February 13 - February 17**

The manager of the Economic Development Office (EDO) began on Monday morning. Mr. Victor Litvenchuck appears to be a very good choice. His previous position was that of Deputy Representative of the President in the Ternopil Oblast. By virtue of this position he knows many people and is very familiar with companies in the area. He is enthusiastic and willing to learn.

I began to explain what the Economic Development Office's functions were and types of things the EDO should be doing. We discussed the five positions and their responsibilities. Those positions are (1) Manager, (2) Chief Economist for International Development, (3) Chief Economist for Foreign Development, (4) Lawyer, and (5) Computer operator for desk top publishing.

I feel it is important that I fully understand (as best as possible) the way business is conducted in the Ukraine. Therefore, V. Litvenchuck has been arranging industry visits. We have visited an operating knitting and sewing factory that was privatized. A private bank. A former state owned electronic firm employing 5,000 that produced communications and security equipment for railroads, police, banks, etc. They are attempting to renew a customer base in the Middle East and India. Formerly their total market was military in the above locations. Their operations were the assembly of components and soldering chips on circuit boards rather than actual production of chips. They used a laser for soldering and manually placed circuit boards under a laser. They considered this very high tech and were very proud of this technology.

V. Litvenchuck, Mychailo Ibrahimov and I visited the RTI office in Lviv. They were interested in how the housing complaint network was being set up. We visited Dr. Alexander Saban, who showed Lviv's Home Page on

the Internet World Wide Web. I set this appointment up for educational purposes to encourage the Economic Development Office should produce a Home Page ad as soon as possible to let people know the EDO exist ~~for~~ and businesses were welcomed in Ternopil. The type of information to put on Internet was discussed. These items included: location, population, infrastructure capabilities, liveability items and current manufacturers in the Ternopil area.

RJR International (an American tobacco company that was just opening a factory in Lviv) was visited. Manager Steve Hauser gave us the "50cent" tour. Since RJR would not be taxed for 3 to 5 years they had decided to reinvest all profits back into plant and community for that period of time. He explained that they were Lviv for two reasons: to help the people and run a profitable business. Their \$7 million investment was a long term investment for the Eastern European and the Russian markets. He explained they had 30% too many people but continued to pay them because at an average of \$65.00 /month, it was an insignificant cost. This is higher than most companies pay. He stated employees were motivated and learned technology quickly but it was difficult to get them to understand cost driven concepts. All managers were given 6 training sessions on American business management principles in Canada. He said the number one problem encountered was the constantly changing laws on doing business in Ukraine and not being aware of the most recent changes. He would encourage additional investment by westerners and could be a friend in convincing business to make investment.

I devised a form for industry visits. Had it translated and discussed with Victor Litvenchuck the reasons it should be completed after each visit. The reason were (1) documentation of visit, (2) information gathering and (3) data for analysis of existing business problems.

Met with Victor Litvenchuck, Mychailo Ibrahimov, and Alexander Levchenko and agreed on the number of members and types of background members of the Economic Development Commission should have. These were recommended to Mayor Negoda at a meeting. We also described the location characteristics of the Economic Development Office such as easily accessible, well furnished, etc. These will be typed, translated, and presented to the Mayor. An appropriate location is being sought.

Next week, we will get a computer in our office and the above will be completed. Victor Litvenchuck & I will also go to Kiev to met with Amy Osborn of USAID and make a brief presentation to the US Chamber of Commerce (evening of Feb 22nd). We will also visit the US Foreign Commercial Service representative and some American Corporations in Kiev to ascertain why they came to Ukraine and the greatest obstacles and problems they had to over come.

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**RTI**

**MFM Program, Ternopil**

**F A X**

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**DATE:** February 21, 1995  
**TO:** Sam Leamon  
**FROM:** John Gurganus, RTI, Ternopil, Ukraine, *ph/fax:* 7(03522) 51783  
*ph:* 7(03522) 26530  
**RE:** Weekly Activity Report #3  
**PAGES INCLUDING COVER:** 2

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**ACTIVITY SUMMARY FOR WEEK OF FEBRUARY 20 - FEBRUARY 25**

I have met with the President of the Ternopil Academy of National Economy. This is a branch of Kiev Institute of National Economy. They teach economics, host seminars, and act as consultant to business. They are interested in helping the Economic Development Office. I also met with Eddie Koos, a Fulbright Scholar teaching accounting at the Academy. Talked with an economics class. All spoke English and had interesting questions.

Visited Kiev with Victor Litvenchuck. I met with USAID- Amy Osborn. I explained what I had been doing and accomplishments that had been achieved. We discussed my observations and impressions. Doing business in Ukraine is difficult at best. Although I believe an Economic Development Office can be a success in the area. There is a lot of opportunities for very patient business people.

Attended the American Chamber of Commerce meeting with Victor Litvenchuck, where he made a presentation on Ternopil. It probably should have been shorter and only that the EDO had been formed, it's staffing structure, purpose, and that the Commission was being formed. Attended the reception following the meeting, where we both interacted with attendees. Amy Osborn also attended.

The US Chamber, when they get an inquiry for a joint venture with a Ukrainian business, they refer it to the Ukraine Chamber of Commerce. Visited the Ukraine Chamber of Commerce but were unable to speak with the right person. Explained to Victor L. he needed to follow-up with this organization as a source of possible new businesses.

Visited the US Department of Commerce and Foreign Commercial Service. Met with Stephen Wasiko, Commercial Counselor. He explained they do market research, will make all arrangements for American businessmen visiting Ukraine such as hotel accommodations, transportation, etc. He further explained they sponsor trade shows, provide seminars and have taken Ukraine businessmen to American Trade Shows such as the Bobbin Show (textiles) in Atlanta. He also explained sometimes American inquires for joint ventures are referred to the appropriate Ukraine business. When Ukraine businesses respond, Americans can't translate and the inquiry is lost. He gave us a copy of the 1995 edition of Thomas Register, "American Export Register", and showed us other references such as "Standard and Pools", and "Dun & Bradstreet Million Dollar Directory".

We had an interesting visit with the President of the Association of Entrepreneurs, Mr. Bohdan Rybak. They will help write business plans, find raw material sources, co-ordinate

exports, etc. They do not charge for assisting small business or start up businesses, but do for larger firms.

Visited the Western New Independent States (INS) Enterprise Find Office with in Kiev. They have a secretary but no Director as of yet. I understood proposals have been received and forwarded to New York but no action has been taken. I question how viable this financial source is until a person responsible for the program is employed.

Next week I will investigate a business commodities directory that has been discovered. This could be very valuable in sourcing products for joint ventures and raw materials. I will meet with Mychailo Ibrahimov, who, I understand can provide all the forms and instructions for a businessman to start a business. This usually takes some sort of payoff, and I want to find out as much as possible about this system. We have had an inquiry from a Germany businessman who is interested in what assistance we can provide in establishing a US distribution network for lighting fixtures and chandeliers. This would be manufactured at Vatra Glass in Temopil. A distribution network could be accomplished through manufacturers representatives. I will fax him back explaining this possibility. If you could secure a list of representatives that deal in this type of produce through ED contacts or the NC Department of Commerce and fax me a list, with 3 addresses and phone/fax numbers it would be very helpful.