
AN ANALYSIS OF LOCAL ECONOMIC DEVELOPMENT PROGRAM IN IVANO-FRANKIVSK, UKRAINE

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Abstract

The experiences and adaptation of a western market economy, local economic development process are examined in a small business and economic development pilot project in Ivano-Frankivsk, western Ukraine. The following aspects are discussed: continuing education training; team building; community participation; data gathering; and strategic economic development and planning. The form and content of an emerging Ukrainian version of a local economic development process is presented: bottom-up, local economic development complementing top-down economic development planning; differentiation of local economic development functions between levels of government and establishing working relationships between different government departments responsible for economic management.

Problem

Ukraine became independent in 1991, after the collapse of the Soviet Union. Ukraine had to create a viable economy and chose the market economy route in economic development.

The problem that is examined in this paper is: "What form and content could a modified, market economy, local economic development process have, to be useful and operational in Ivano-Frankivsk Oblast in western Ukraine?" A definition of some terms is in order. The term oblast means province or region in Ukraine. An oblast is made up of rayons (counties).

The assumptions and approach used in local economic development reflect the Waterloo model (Bryant and Preston, 1987). These

assumptions are that local resources are unique and need to be recognized, analyzed, and developed. This does not negate the usefulness of outside resources and investment in local economic development (LED). The second assumption that is made is that grassroots, bottom-up LED planning can and should complement top-down LED. The last assumption and approach is that locals should take ownership/responsibilities right from the start of the LED program – they decide, make final decisions on what to do or not to do (Coffey and Polles, 1985; Higgins and Savoi, 1996). Outside consultant's role is to advise and facilitate the human resources development in the strategic economic planning (SEP) process, and to provide up-to-date technology and resource materials.

In this paper, an examination is made of the form or structure, content and the procedures and methods that have been tried, modified and operationalized in (1) human resources, and (2) the SEP process. In the human resources area, an analysis is made of: the economic development officers (EDO's), the professionals, practitioners in the field doing LED; the local economic development teams, a representative cross-section of local community leaders who have volunteered to act as advisors to the EDO in their communities LED; and participation and involvement by the local community in assisting in the LED process. In the SEP planning area, an examination is made of: the working relationships between government (oblast and rayon) departments involved in LED and the coordination of LED efforts between the public and private sector; pilot rayon SEP planning: local economic data collection and analysis.

Background

The first Ukrainian president, President Krawchuk, was noted for his nation-building efforts and not for his economic reform. President Kuchma, elected in 1994, initiated market reforms including the freeing of prices of many goods, tighter budget and privatization programs while Ukraine was, at the same time, becoming a democracy.

Ukraine has many unique local resources that need to be identified, organized and mobilized, businesses started to produce goods and services for local use and export. Such local economic development creates local jobs and provides local tax revenue that increases the quality of life.

Canada is supporting private sector development with Canadian technical assistance to Ukraine. In early 1996, a Canadian Consortium (composed of Confederation College, University of Waterloo, University of Saskatchewan and Parkland Community Futures in Manitoba), with Ukrainian partners of the City and Oblast of Ivano-Frankivsk, in western Ukraine began a five-year, small business and economic development pilot project in Ivano-Frankivsk (SBEDIF). SBEDIF was funded by the Canadian International Development Agency (CIDA).

The SBEDIF project goal was to assist Ukraine in its transition to a market economy through encouraging small business and sustainable economic development at the local level.

The project objectives were:

- To create a sustainable structure of support systems for the start-up and growth of small business in the Ivano-Frankivsk Oblast, including the implementation of:
 1. entrepreneurial training program
 2. business English language training program
 3. business center/incubator
 4. business consultants
 5. small business loan fund
- To assist the City and Oblast of Ivano-Frankivsk to stimulate the overall economic development in the region through local institution and capacity building by developing the following:
 1. economic development commissions
 2. economic development offices
- To establish and promote trade linkages between Ivano-Frankivsk and Canada through:
 1. local Chamber of Commerce
- To promote entrepreneurial culture and attitude in the City and Oblast of Ivano-Frankivsk.

The LED program goals were:

- Increase economic development in Ivano-Frankivsk. Increased economic development means more business start-ups, more jobs, and more tax revenue.
- Build a new economic development institution. The aim is to change government departments of management of the economy to economic development departments. This will give local municipalities the responsibility for their economic development.
- Have inclusiveness in local economic development process. This means all stakeholders actively participate in decision-making and taking responsibility for the inputs and outputs of economic development in their community.
- Proactive approach to LED rather than passively waiting for economic development to happen or have another level of government do LED in the community.

Research Procedure

The following data sources were used in the conduct of the research: (1) personal field notes and in-the-field observations from monthly strategic planning session visits to rayons and weekly contacts with Oblast; (2) continuing education course evaluations from economic development officers; (3) minutes of rayon economic development team meetings; (4) monthly reports and debriefing of Ukrainian economic development associates and consultants; (5) transcribed tape recordings of rayon meetings; and, (6) photographs of events, rayon meetings and continuing education (professional development) seminars.

Results

The results of each economic development program component studied are presented next.

Human Resources

1. **Ukrainian EDOs':**

The Ukrainian EDO's are highly educated, competent and motivated practitioners. They required and requested upgrading in

practical aspects of market economic LED techniques and skills. Background papers on the basic principles of requested topics were developed by Canadians. Topics were delivered in Ukraine by local experts in these topics, adding their Ukrainian experiences and examples to these background/principles papers. After delivery, Ukrainians developed modified versions of the topics. Seminars on the following topics were requested and delivered: basic course in LED (Maskell, Preston and Lazarowish, 1996); small town and rural area LED (Maskell, Preston and Lazarowish, 1996); identification and mobilization of local resources (Maskell, Preston and Lazarowish, 1996); advanced SEP in LED (Maskell, Preston and Lazarowish, 1997); regional economic development techniques (Newkirk, 1997); marketing in LED (Preston and Lazarowich, 1997); and performance evaluation in LED (Preston and Lazarowich, 1998). The EDO's required training and practice in small group techniques/methods to improve their effectiveness and productivity and small groups within which they work.

Due to their job commitments and a small number of staff, the EDO's could not attend training seminars for a maximum of three to four days in city of Ivano-Frankivsk. Attempts were, thus, made to hold seminars in rayons. The training seminars have evolved from classroom to seminar to round table/task force formats. This came about as EDO's became more familiar with each other, became more involved in the selection of pertinent training topics and improved their small group skills.

Training of Ukrainian EDO's in ED practice in Canada was done in 1996, 1997 and in 1998. In 1996, visits to illustrate the very many aspects of ED practice in Ontario were done over a two-month period. Visits were made to municipal, regional, provincial and federal government departments associated with economic development. Private business and non-government organizations (NGO's) associated with tourism/economic development were also visited. Small town and rural area economic development were examined. An evaluation of the 1996 program revealed that the program was too intense and too long.

A one-month program was developed in 1997 after an evaluation of the 1996 program made. The 1997 and 1998 program involved:

- 1) an intensive one-week orientation to ED at various government levels, private and NGO departments.

- 2) Two or three one-week placements to do in-depth projects on topics that the EDO's had identified as professional interests, prior to coming to Canada.
- 3) EDO's becoming resource persons to the ED program in Ukraine.

EDO contacts and networks established became one of the more valuable results of attending the seminars. These contacts allows for shared learning and experiences among EDO's. For example, they have consulted each other on the structure and format of the community profile. A listing of EDO names, addresses, and telephone numbers have become a valued product of attending seminars. The contact and familiarity among rayon EDO's has led to the formation of an Economic Developers Association in Ivano-Frankivsk. The Association is devoted to promoting and supporting the economic development in the rayons and oblast and the continuing education of the EDO's. The Association was registered as a community organization, and NGO. As an NGO, the Association was eligible to apply for grants from international donors. The Association has been successful in receiving grants from USAID and European donors which has assisted in its credibility and sustainability.

2. Rayon Ed Teams

There was a variation in the types and amounts of productivity (production of strategic plans, community profiles, tourist profiles, service and business directories), in the time, participation and stabilization of team members in the ED teams in the different rayons. It took, on the average, about three months for the ED team membership to stabilize. The time taken for team membership stabilization did not appear to be correlated with team productivity and output. It appears that team productivity and output was related to individual characteristics of members, and the time they had available to do the tasks.

The teams evolved from a consultative/advisory role to a working and problem-solving/role to the EDO and ED department. In one rayon, EDO team-members assisted in the analysis of the newspaper questionnaire on local economic needs. In the City of Ivan-Frankivsk, team members assisted in community participation and community inputs to the development of the City's strategic plan.

3. Community Participation

Grassroots community participation and involvement of the community leaders in the economic development teams took place in an environment in Ukraine where, until 1991, people were told “not to get involved, it was not their business, someone else would do it” – a top-down approach to decision-making and involvement. Community involvement and participation in local decision making was a new idea in Ukraine, a country with no history of democracy.

In one rayon, the first meeting held with the community, to explain and start the LED process, the participants were boisterous, suspicious and negative. They felt that things could not be done or that things could not be changed. Four months later, the LED team meetings were attended by businessmen who came on their own accord to listen and ask questions. This change came about when people saw there was an opportunity to do something, get information, ask questions, and knowing there were regular meetings, and a longer-term commitment to LED in the rayon.

The Strategic Economic Planning

1. Pilot projects

Three rayons volunteered to do pilot SEP. Approval was first sought and obtained from the elected head of the rayon council. The benefits and intent were outlined and support was obtained. The local EDO's were somewhat skeptical at first, and had to be convinced of SEP practical utility because they were short-staffed and this meant additional work for them. But, once they saw the utility of SEP in their work, they were very supportive and worked hard.

The EDO's in the three pilot rayons have been working with their LED teams and have made differential progress in their SEP. One rayon has completed a community profile, another has more data to gather and a third has identified four priority sectors for economic development and has organized small task forces to further investigate each sector.

Through the analysis of the economic needs, strengths, and weaknesses, the three pilot rayons have identified a number of different and sometimes competing LED priorities and aspects in their community. They realize that these priorities need to be sorted out and are now embarking on an advanced SEP to develop scenarios for development, action plans and contingency plans.

Three rayons are local ambassadors of LED and SEP and provide local legitimization of the process. Primarily because of the reporting of the positive results of the SEP process work, four new rayons have volunteered to start SEP pilot projects.

2. Economic data base

Regional and some local economic data is collected by the Oblast Statistics Department. Local area economic data (not collected by the Oblast) need to be (and was) collected at the rayon level.

Negotiations have been made with the oblast to obtain the necessary rayon data that they have collected. At the rayon level, the first version of an Ukrainianized economic data questionnaire has been developed. This version was a modified version of data categories used in Canada. This version reflects the unique historic, economic, land-use and cultural situation of the rayon. The collection of data using this questionnaire, was halted by Ukrainian Security Service because they wanted to know who was collecting this data, for what reason, and how/where was this data going to be released. Until approval of completion of the data collection and its analysis was obtained, the SEP process, including production of the community profile, was delayed. This data collection barrier has now been resolved.

3. Working relationships among related ED departments

A number of separate departments exist in the Oblast and rayons that are related to LED. These departments are: Oblast Department of Management of Economy; Industry and Small Business; Agriculture; Office of the Architect (physical land-use planning); and statistics Department. The large number of departments, uncoordinated in LED efforts, has led to delays and “red tape” in implementing LED. We are working toward a working relationship (agreement in principle has been reached) between the Department of Management of Economy, Statistics Department, and Office of Architect. Agreement, in principle, is being obtained between the Department of Management of Industry and Small Business and Agriculture, and Oblast and City Departments of the Management of the economy. Further, the Oblast Departments of Management of the Economy and Management of Industry and Small Business have been reorganized into one department.

Conclusions

Some tentative conclusions have been reached on the form, structure approach and future requirements to achieve a modified and useful LED process in Ivano-Frankivsk and in Ukraine. The Ukrainian EDO's are willing to learn and try LED practices and techniques. They are working to fit the market economy approach to LED into their existing economic development structure. That is, to merge and complement bottom-up with top-down approach to LED. Both approaches are needed. What needs to be done is to formulate and establish a working relationship between bottom-up and top-down in the Ivano-Frankivsk context. The relationship and roles are evolving. It would be worthwhile to investigate how top-down-bottom-up relationships/roles have evolved in the voivodships in Poland as they could be instructive for Ukraine.

The EDO's have formed an Association and one of its functions is continuing education their professional development. The EDO's are jointly exploring LED training partnership between the Association, local university, Ukrainian ED trainers and Business Centre. The exploration involves discussions and negotiation on the structure of this partnership and roles and responsibilities of each partner in providing certified continuing education courses. Having certified courses will assist EDO's in their career advancement.

The Pilot rayon LED teams have worked quite well. Their effectiveness and performance could be increased if they received directed training in small group processes/techniques such as constructive feedback, different roles in groups, assigning tasks, stages of group development, different learning styles. Procedures need to be developed and used to select team members that are optimistic, future-oriented, committed, imaginative. Team members with such characteristics would increase the probability of successful group work.

Because of the repression of individual expression and initiative during Soviet times, there is a negative attitude toward participation. The negative attitude to participation needs to be changed from negative to neutral before it can be geared to a positive attitude to participation and to community participation in local decision making and local economic development. That is, the negative attitude toward participation has to be unlearned before a positive attitude to participation can be adopted.

The working relationship among various oblast and rayon departments associated with economic development is developing. Departments are interested in collaborating for mutual benefit. The reorganization of Oblast Departments of Management of the Economy and Industry and Small Business indicates that higher level leadership in the oblast is cognizant of this requirement and is taking appropriate action. It could be useful to create a working, coordinating committee of department heads of the departments associated with economic development. This committee could establish a working relationship among their departments to promote oblast economic development. Private sector representation such as the Association of Businessmen would be important and vital members in such a working committee.

In SEP, more local volunteers need to be recruited from community and business organizations: for example, to assist in doing LED, EDO's roles/functions such as data-gathering surveys, distributing promotional materials on their travels outside their rayon, and abroad. Volunteers can and do play a very important role in the economic development of a community. Volunteerism is a new concept in Ukraine (it was not encouraged in Soviet time that needs to be developed).

The Oblast needs to give formal recognition and to legitimize LED and SEP in oblast and rayon. This recognition will take time as it involves the Oblast relinquishing or sharing some of its decision making power in economic development and allocation of resources. LED and SEP can supplement and complement strategic planning done by the Oblast.

The Pilot rayons EDO's and their LED team members are acting as advisors and mentors to rayons beginning LED. A mechanism, through the Association of Economic Developers of Ivano-Frankivsk, needs to be established so this mentorship is regularized.

In the area of economic database, a clear indication has to be made of what is publishable (public) data, non-publishable data, and confidential data as this has caused problems in the release of data. As well, an agreement has to be reached between the Oblast Statistics Department and rayon LED Departments on who collects what data (to avoid duplication) and on the sharing and exchanging of data. Further, agreement has to be reached on access of database in the Business Centre - Economic Development Program computer by oblast, rayon and private sector requests.

Summary

A Ukrainian version of LED is emerging:

1. Working toward complementing bottom-up and top-down approaches to LED. This includes the differentiation of LED functions/responsibilities between oblast and rayon.
2. Local people are volunteering and participating in LED. There is an increase in positive attitude towards these activities.
3. Roles and responsibilities of rayon EDO's new LED function in the existing Management of Economy Department are being considered. The LED function needs to be clarified within the existing structure of the Department or the Department has to be reorganized or the LED function placed elsewhere.
4. The reorganization of oblast departments associated with economic developing is occurring. This will decrease delays and red tape in economic development.
5. The collection, exchange and analysis of economic data at the oblast and rayon are being harmonized. Duplication is being minimized and an adequate range of data is being collected.

Future Development

1. Integration, coordination of rayon SEP to produce an oblast SEP. There needs to be coordination and integration among SEP's to provide a unified and supportive approach to the priorities of economic development at all levels of government. The rayon SEP's should be in harmony with the oblast SEP.
2. Identify, monitor changing roles, responsibilities of rayon and oblast EDO's. The LED and SEP roles and responsibilities of the EDO's need to be included in their job descriptions. This inclusion then gives them formal legitimization and recognition of work they have been carrying out that has been above and beyond their current job description.
3. ED training partnership to be negotiated and established. This will allow for certified continuing education in ED courses that are offered by local institutions.
4. Develop member selection and performance selection procedures for ED teams. Procedures that were used in the pilot rayons have to be reviewed and guidelines in selection and performance criteria and procedures need to be codified for future reference and use.

5. Develop procedures to engage in locals and volunteers in LED, SEP, Volunteerism. Leadership and community participation/engagement materials and procedures need to be developed to fit the Ukrainian cultural and social context.
6. Negotiate agreement between rayon and oblast on sharing of economic data. This would clarify roles, responsibilities of each level of government in provision of data to government and business for economic development.
7. Develop, implement and coordinate marketing plan and strategy for rayons and oblast. The coordination is needed to maximize limited resources in marketing and attraction of investment.
8. Develop a monitoring and performance evaluation procedure for LED in oblast and rayons. This underdeveloped procedure needs to be strengthened so that ED plans and strategies can be modified and adjusted as ED environment changes.

Some Challenges in Working in A Post-Communist Country

In the area of professional development of EDO's in strategic planning, there were very few obstacles and problems. Those that existed were mainly related to technical and logistical aspects. A problem was shortage of government, economic development officer's time for participation in the training activities and the necessity to contact higher levels of local government (oblast) to receive approvals for the involvement of rayon officers in the EDP trainings. Although in most cases government officers demonstrated positive attitudes towards participation in workshops and seminars, current Ukrainian legislation imposes considerable limitations on the Ed officers' cooperation with various organizations and institutions. For example, the ED Officers' job descriptions do not allow them to do any activities that might be construed as "commercial." That is, they are allowed to become involved with other government officials or with educational institutions for teaching. But, they are not allowed to "consult" with educational institutions or other institutions or organizations. If they do, they can be prosecuted, dismissed from their positions or imprisoned.

Since strategic planning initiatives carried out by the Ed Program required, at their initial stage, close contact with and, in many cases, approval of the local government, the majority of obstacles were related to either local government or current legislative/political situation. Traditional government dominance in the discussions and workshops, held during the strategic planning process, was a hard obstacle to

overcome. In several cases, the launch of strategic planning initiatives required lengthy preliminary training and/or negotiations to increase local government awareness. Although government officers mostly demonstrated a positive attitude towards the strategic planning idea itself, many of them regarded such activities as extra work, which, in addition, was not remunerated. In many cases, the local population and even some of the most active community leaders regarded strategic planning as another soviet-style initiative imposed by the government and leading towards another plan doomed to collecting dust on a shelf in some office. Rather frequent changes in the local government personnel also adversely affected EDP operations in the pilot communities since newly elected or appointed officials had to be briefed on what had been done to date, and, in several cases, that meant practically restarting the negotiations and, thus, the work in general.

One mission of the Ed Program was to create a friendly institutional environment for the Economic Development Program activities and initiatives through creating and facilitating grassroots initiative groups, NGO's, NGO coalitions, entrepreneurial associations and other civil society institutions. Although this activity was a means of overcoming the lack in strong partnerships with the local governments and their instability due to political and/or personnel changes, several problems related to this area may be identified:

- Poor legislative protection of non-government organizations.
- Lack of awareness about the opportunities and possible fields of activities for NGO's.
- Need for training not directly related to the specialization of the Ed Program and its officers.
- Increased attention of, and on several occasion, harassment by various regulating government agencies, i.e., tax inspection and security service.
- Need for start up technical assistance and training for such NGO's and their networks.

These problems, however, are of transient character and were successfully dealt with by the NGO's and the EDP officers who have acquired considerable expertise and knowledge in various aspects of NGO's operation in Ukraine.

During the many years of soviet rule, collection, processing, analysis, and any distribution of information remained the exclusive

prerogative of government institutions. Information was released in the form and amount that was solely beneficial to the government. This conservative tradition has grown strong roots and is extremely hard to eradicate. In many cases, EDP officers were denied access to valuable business and economic information because it was regarded by certain government officials as “classified” or “strategically important.” This often forced EDP officers to conduct complex additional analyses to obtain the whole picture from available bits of information. Such work required additional time and resources thus reducing overall efficiency.

Unfortunately, such practice continues to exist and provision of information is still mostly dependent on the personal disposition of local government official(s), and this is not only unproductive, but also violates the freedom of information stipulations incorporated into Ukrainian legislation. Partially, a solution to this problem would be installation of a regional computer network with nodes in every rayon administrative center. This, however, will require extensive negotiations, time, and certainly funding.

The Economic Development Program was launched in 1996 as part and parcel of the SBEDIF Project. Together with a considerable amount of achievements, EDP has encountered a number of challenges, which, however, also contributed to the Program’s overall success and ensured the necessity for a constant search of new directions and ideas. From its very beginning, EDP heavily relied on cooperation with the local governments and, in many cases, its activities in pilot rayons were very much dependent either on the political situation or on personal cooperation of certain government officials. Although working through government was inevitable and justified at the EDP’s initial stage when there was practically no alternative in the form of non-government organizations, entrepreneurial associations, etc., its productivity decreased with time. This practically forced the ED Program to search for new/alternative partners within the local communities, and, in many cases, such partners (economic development associations) were formed from the already existing strategic planning initiative groups. This demonstrates the necessity for further strengthening and expansion of cooperation with various grassroots initiative groups, educational institutions, business and other organizations, as well as international donors and agencies, which can also serve as sources of additional funding and/or other resource contributions. This direction is being pursued by the ED Program.

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