



CITY OF ALCHEVSK ECONOMIC DEVELOPMENT STRATEGIC PLAN

prepared by

**City of Alchevsk Expert Committee on Preparation and Implementation of the
Economic Development Strategic Plan**

supported by

**City of Alchevsk Development Foundation and
Local Economic Development Project**



April 2008

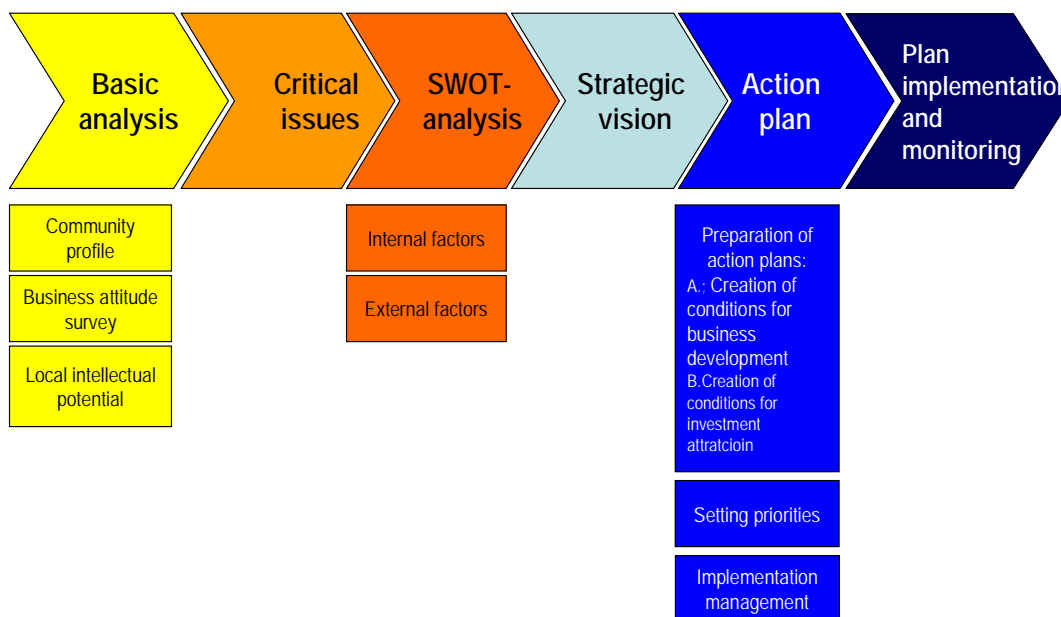
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Introduction

In spring 2007, representatives of the business community of the city of Alchevsk came to an agreement to create the Economic Development Strategy for the City. In October of the same year, City Mayor V.Chub invited 28 the community leaders representing local companies, banks, utility companies, private businesses, educational establishments, local government authorities, and state institutions to joint their efforts in setting up a City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan. The Expert Committee was approved by City Mayor Resolution #1211 of November 19, 2007. The Committee’s task was to prepare the Strategic Development Plan. Lyudmyla Solovyova, Deputy City Mayor on Activities of Executive Departments, was invited to perform the function of the Head of the City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan. The City of Alchevsk Economic Development Strategic Plan was developed in cooperation with the Local Economic Development Project (LED) supported by the U.S. Agency for International Development (USAID). LED experts served as consultants of the Committee.

Economic development strategic planning flow-chart



During Stage One of the project, the experts of executive departments of the City Council with the assistance of LED consultants prepared the Community Profile, a document which includes the demographic information about the city population, information about the local economy, communal and technical infrastructure, environment, and living conditions. Data and reference materials were provided by departments and structural units of the Alchevsk City Council, Alchevsk Employment Agency, statistics departments, and other institutions.

In November 2007, representatives of 50 companies in the city were surveyed. Members of the City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan personally took part in surveying the representatives of major companies in Alchevsk, small and medium-sized enterprises (SMEs) active both in the industrial sector and in the trade and services sector. The survey was aimed at discovering the opinion of the interviewees about opportunities for business development the city, the problems they encounter while dealing with the local government and their plans for the future.

Such fundamental data base was instrumental to the City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan when it started to identify the top priority areas of the Plan, which determine the economic development of the city and its competitiveness. Such critical issues (priority areas) of the Plan were: (A) utility infrastructure development based on innovations and energy saving technologies, and (B) creation of favourable conditions for small and medium-sized enterprise development. In December 2007, the City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan conducted the SWOT-analysis. The task was to analyse strengths and weaknesses of the city (analysis of internal factors) and assess the position of the city as compared with other Ukrainian cities which compete with Alchevsk. The competitiveness of the city was also considered in the context of the external factors analysis: opportunities and threats.

The next meeting of the Expert Committee formulated the Strategic Vision. This is the common vision and will serve as the guide for the development of the City of Alchevsk Economic Development Strategic Plan. The results of the SWOT-analysis and the formulation of the Strategic Vision were discussed and approved during the meeting of the Expert Committee.

Later on, at its meetings in February and March 2008, the Expert Committee identified action plans, which serve as the foundation of the Economic Development Strategic Plan and include strategic goals, objectives and tasks aimed at resolving critical issues.

The plan envisions setting up a permanent public-private partnership between the city government and city businessmen and implementation of the comprehensive city economic development program. A number of documents and projects will be developed, joint projects will be initiated, and database will be created during the period of the plan implementation. All this will lead to improvements of the business environment, support to small and medium-sized enterprises, and increase in investments.

The success of the Strategic Plan implementation will depend on continuing participation in its implementation of the members of the City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan. At its last meeting in April 2008, the Expert Committee on Preparation and Implementation of the Strategic Plan recommended the City Mayor to set up the Implementation Management Committee (IMC) whose membership will include most active members of the Expert Committee.

Strategic Vision

The Strategic Vision of the future of the city of Alchevsk was formulated at the meeting of the City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan on December 21, 2006. The meeting was conducted with the support of the experts from the Local Economic Development Project implemented by the U.S. Agency for International Development (USAID).

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Comments

Strategic vision is the common understanding reached by the consensus of how the city should look like in the future. Strategic vision serves as the introduction to the Economic Development Strategic Plan. It lays out the starting point for the Expert Committee members to develop the Plan.

The formulation of the Vision contains ideas, which were accepted by the Committee members (representatives of the business community, local government authorities and community) as most important for the future of Alchevsk, namely: the city, which:

- is the leader of industrial production in the country with high labour productivity level;
- possesses huge scientific and innovation potential;
- attractive for businesses with favourable business climate in order to attract foreign and domestic investments;
- a city with high living standards of its residents.

SWOT-Analysis

The meeting of the City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan to conduct the analysis of internal and external factors took place on December 21, 2007. The meeting was attended by 20 members of the Expert Committee who discussed the city strengths and weaknesses, and well as opportunities and threats with regard to each critical issue taken separately. According to the way it is applied, the SWOT-analysis is an "instrument" to prepare the realistic and feasible action plans which, in addition to the medium-term strategic goals, will include clear short-term objectives or projects proper. Implementation of these projects should eliminate city weaknesses and reinforce its strengths on one hand, and enable the city to take full advantage of opportunities which may arise due to the external factors while avoiding threats on the other

ANALYSIS OF INTERNAL FACTORS: STRENGTHS AND WEAKNESSES

Critical Issue A: **Utility Infrastructure Development Based on Innovation and Energy Saving Technologies**

Strengths:

- Compact city;
- Favourable mining and geological characteristics;
- Availability of expert potential;
- Developed utility infrastructure;
- Availability of the network of higher educational establishments which train specialists for the housing and utilities sector;
- Developed network of bodies of self-organisation of residents;
- Approved Housing and Utilities Sector Reform Program;
- Availability of the State Budget funds for renovation of the district heating network (in the amount of 19 million UAH) and possibility to spend them;
- Established fast response system;
- Financial support to the housing and utilities sector from the main city-forming enterprises (Alchevsk Metallurgical Plant (AMP) Open Joint-Stock Company (OJSC) and AlchevskKoks [*Alchevsk coke*] OJSC);
- Support to the city from the City of Alchevsk Development Fund;
- Considerable amount of road repair works performed.

Weaknesses:

- High depreciation of networks and equipment in the housing and utilities sector;
- Low level of implementation of energy saving technologies in the housing and utilities sector;
- Absence of own sources of water;

- Available vacant land plots;
- Developed network of financial institutions;
- Availability of non-residential premises;
- Availability of brownfields;
- Available interesting natural, historic and cultural monuments near the city;
- Organisation of investment project competitions;
- Considerable export potential of the city;
- Approved concept of the City Master Plan;
- Availability of trade relations of the Alchevsk companies with companies from various foreign countries, which supports the positive international city image and helps in searching for new investors;
- Availability of highly-qualified non-employed work force;
- Network of higher educational establishments and vocational schools;
- Transit potential (automobile and railway communication with other regional of Ukraine and Russian Federation);
- Availability of an internationally-recognised automobile company.

Weaknesses:

- Insufficient relevant information for businesses;
- Absence of effective business associations;
- Poor city image caused by the man-made disaster in 2006 in the heat distribution networks;
- The need to improve the performance of the One-Stop-Shop Permit Office;
- Absence of marketing research for locally manufactured goods and services;
- Absence of the approved City Master Plan;
- No inventory of land plots;
- Absence of a unified Brownfield Register;
- No mechanism for interaction of science and manufacturing activities in the SME development system;
- No systematised information in the form of reference materials and promotional materials about the city and business development in the city;
- Absence of vacant land plots (up to 5 hectares) with the engineering infrastructure in the form of 'industrial zones';
- Absence of qualified experts to work with investors;
- Depreciation of capital assets of enterprises;
- Insufficient financing of city local economic development programs;
- Shortage of blue-collar workers, marketing specialists, etc.;
- Insufficient level of training of managers for small and medium-sized businesses;
- Polluted city territory, unfavourable environment;
- Undeveloped market of consulting services for small and medium-sized businesses;
- Unfavourable demographic situation in the city, ageing of the population.

ANALYSIS OF EXTERNAL FACTORS: OPPORTUNITIES AND THREATS

01 Political situation / legislation

Opportunities

- State policies in the context of a parliamentary system (creating conditions for foreign investors and development of Ukrainian businesses);
- Stabilisation of the legal framework, implementation of European standards in the political, judiciary, administrative, social, economic and other systems in Ukraine;
- Changes in the customs legislation;
- Harmonisation of the tax legislation;
- Reform of local finance and administrative and territorial reforms (positive consequences)

Threats

- Unstable political situation;
- Absence of clear state policies towards regional and local economic development;
- High level of corruption and lack of trust to the court system;
- Populist nature of the central government;
- Unstable legislation;
- Reform of local finance and administrative and territorial reforms (potential negative consequences);
- Further centralisation of public administration.

02 Economic situation

Opportunities

- More investments associated with improved image of Ukraine;
- Lower interest rates, stable national currency;
- Access to huge markets without limits and barriers (Ukraine joining the WTO and EU);
- State support to utility infrastructure;
- Increased sales markets for locally manufactured products;
- Inflow of foreign investments and new technologies;
- Development and active implementation of development strategies on the national and regional levels.

Threats

- Inflation and higher energy costs;
- More distrust in government authorities and increased interest rates;
- Ukraine joining the WTO and EU, drain of work force, higher labour costs, increased competitiveness;
- Changes on the world metal markets;
- Liquidation of the simplified taxation system;
- Increased development of competing cities;
- Destabilisation of the financial market.

03 Demographic / social characteristics

Opportunities

- Increased quality of education;
- Increased living standards in Ukraine;
- Development of the network of out-of-school institutions;
- Increased subsistence level;
- Increased quality of services rendered to citizens;
- Increased level of medical services.

Threats

- Ageing of population;
- Increased crime level;
- Increased number of young drug addicts and alcoholics;
- Increased level of sickness rate.

04 Technologies

Opportunities

- Development of modern information transfer systems;
- Technological progress in the energy sector (more alternative energy sources);
- State support to the implementation of energy saving technologies;
- Preparation of programs to implement new technologies in the heavy industry and machine building sectors.

Threats

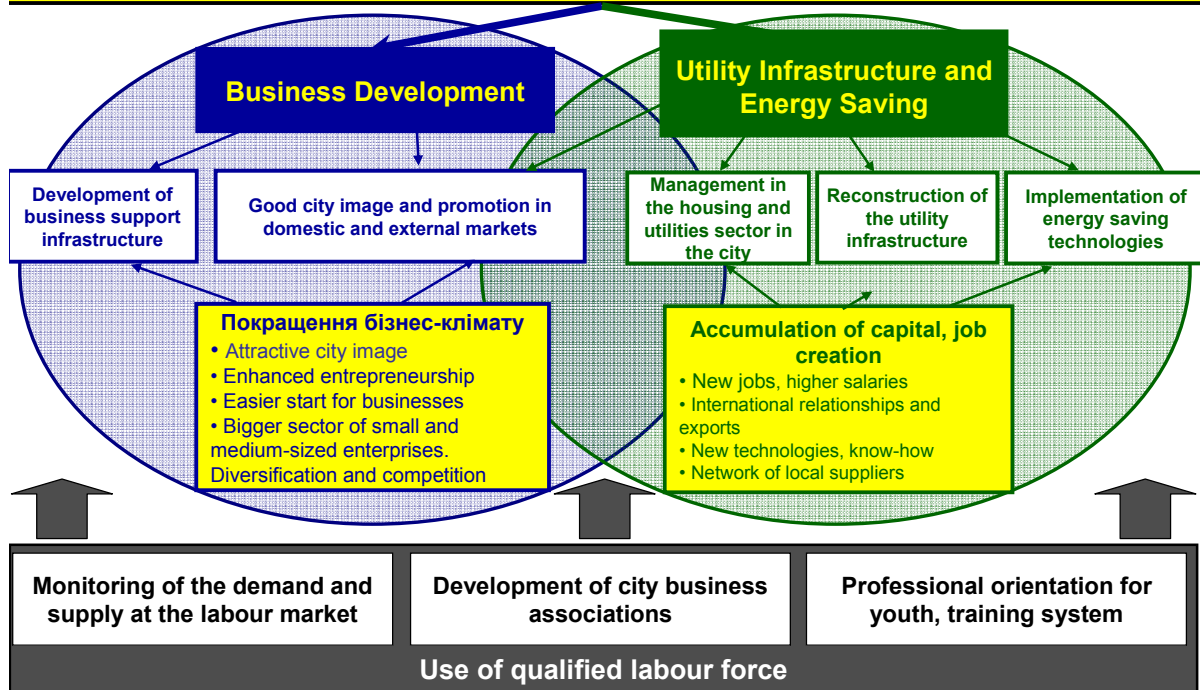
- Lagging behind competing cities in implementing new technologies;
- Potential man-made disasters.

ACTION PLANS

The Economic Development Strategic Plan is the result of joint choice of the Alchevsk community leaders reached by the consensus. The Plan is based on the principle of putting emphasis on priority development issues.

Two critical issues, such as (A) utility infrastructure development based on innovation and energy saving technologies and (B) creation of favourable conditions for small and medium-sized enterprise development have been identified by the Expert Committee as key factors for further development of the city and its economy. Separate Action Plans have been prepared for each of the factors, whose implementation is expected to result in improvements of the competitive position of the city of Alchevsk. Action Plans have been prepared by members of the Expert Committee, together with experts with technical expertise and experience in the relevant area, or with competence in respective fields.

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Critical Issues

A. Utility Infrastructure Development Based on Innovation and Energy Saving Technologies

The term “infrastructure” is not typical for economic development activities, because it belongs to the area of services which are rendered by local government agencies. It provides services to citizens, companies, institutions and organisations. Absence of the proper infrastructure or its poor quality hampers the turnover of goods and services, slows down the development of manufacturing facilities or creates barriers for companies to implement their business expansion plans, and, in some cases, make them stop their economic activities. Therefore, technical infrastructure, transportation and roads are of critical importance for economic development of any city.

The outside looks of the city, its cultural, educational and recreational resources, availability of affordable and high quality housing, the level of quality of utility services, attitude of local officials to city problems and their effective solution, and environmental conditions – all these are the components of “quality of living in a community” and of the city image both in the opinion of common residents and business community.

The development of the city utility infrastructure is a basic factor for creating favourable conditions for business development and investment attraction. Activities to reconstruct the city infrastructure facilities remain the top priority for annual programs of social and economic development of Alchevsk. The city needs to improve its road maintenance system, housing construction, solid waste collection and removal, reconstruction of engineering networks, and to build sport facilities with reconstruction of the existing medical establishments and construction of new ones.

The limited financial resources of both the city budget and the State Budget do not allow to improve the situation quickly. A potential solution of this problem could be a clear identification of priorities and delineation of the services which are to be privatised on a competitive basis in order to attract financially sound investors.

Housing construction in the city is characterised by a stable upward trend, although the demand for new housing significantly exceeds the supply. The construction sector has a potential to expand even beyond the city limits. Availability of the dynamic housing market will turn Alchevsk into a city attractive for young specialists, who are needed by the city, and will considerably improve the demographic situation in the city.

Expenses for technical maintenance and efforts aimed at improved quality of utility services rendered to citizens require big investments, new approaches in self-organisation of city residents, and higher level of organisational management on the part of the local government. The limited financial resources both in the city budget and State Budget, absence of targeted financial programs do not allow to quickly change the situation for the better.

A potential solution of this problem could be a thorough preparation of projects for external financing, clear setting of priorities or identification of the services which are to be privatised in order to attract financially sound investors, cooperation with all possible international technical assistance projects, access to international structural funds, closer dialogue with city residents, implementation of modern managerial systems in the utility sector.

Environmental training and civil education of residents, changes in mentality through information systems and public-private partnerships in the city, as well as increased corporate social responsibility of businesses aimed at creating comfortable living environment for the whole community are important auxiliary components of improving the situation in the housing and utilities sector.

The business attitude survey in the city revealed one more problem needing to be resolved in the nearest future. It is the road maintenance. It is obvious that it is the lack of financial resources channelled to routine and capital repairs of roads, as well as the absence of modern road repair and maintenance technologies are the main problem.

If the city is willing to get additional investment subventions and subsidies, it should more actively interact with the regional and national government authorities.

A.1. Introduction of modern managerial techniques in the housing and utilities sector of the city

A.1.1. Support the creation of competitive environment in the area of services rendered by the city housing and utility companies

Project description: City Council and its executive departments in cooperation with private companies to encourage the creation of a competitive environment in the area of services rendered by the city housing and utility companies. They will also study the experience of other countries and other Ukrainian cities and develop a concept (program) to create a competitive environment for utility services.

Project outcomes: Demonopolisation of the market of housing and utility services will increase their quality

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 67,000 UAH, city budget

A.1.2. Introduction of advanced technologies in the area of housing and utility services

Project description: City Council and its executive departments to create conditions to enable employees of the Main Department for Housing and Utilities and city companies who are engaged in rendering utility services to become familiar with advanced technologies and hands-on experience of Ukrainian cities in

reforming their housing and utilities sectors and to develop the corresponding projects in order to attract funding from potential sources.

Project outcomes: City utility infrastructure developed; old networks and equipment replaced; the strategic plan for the development of utility companies prepared and implemented with proper attention paid to advanced technologies of rendering housing and utility services.

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 27,000 UAH, city budget

A.1.3. Preparation of a set of actions to set up condominium associations

Project description: City Council and its executive departments to create a program to encourage the creation of condominium associations, which will include a system of incentives, and to conduct an informational and educational campaign about the advantages of condominium associations.

Project outcomes: 50 percent of residential buildings create their condominium associations, which will control the quality of housing and utility services

Implementation timeframe: 2008 – 2011

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: no funding was envisioned, the task to be performed within the limits of powers of the local government

A.1.4. Setting up steering committees and monitoring entities with public participation

Project description: Aiming at controlling the quality of housing and utility services, non-governmental organisations, bodies of self-organisation of population and condominium associations to create monitoring entities with public participation.

Project outcomes: The quality of housing and utility services increased

Implementation timeframe: 2008 – 2010

Responsibility: Bodies of self-organisation of population, S.Shapovalova

Source of funding: 26,000 UAH, city budget

A.1.5. Develop a system of training for residents and housing and utilities specialists in the topics related to the housing and utilities sector and energy saving

Project description: Executive departments in cooperation with bodies of self-organisation of population and condominium associations to develop and implement a system of training for residents and housing and utilities specialists in the topics related to the housing and utilities sector and energy saving.

Project outcomes: Energy saving in the housing and utilities sector enhanced

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 35,000 UAH, 70% city budget, 30% State Budget

A.1.6. Implementation of the city public transportation program

Project description: City Council and its executive departments to support the implementation of the project to improve the street and road infrastructure according to traffic safety program.

Project outcomes: The need of residents in having transportation services rendered at the proper level and at economically justified prices and tariffs satisfied; the street and road infrastructure is maintained in compliance with the legislation requirements and accident-free operation of the transportation system.

Implementation timeframe: 2008 – 2012

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 31,875,000 UAH, 50% city budget, 50% State Budget

A.2. Reconstruction of the utility infrastructure

A.2.1. Reconstruction of the landfill in the city of Alchevsk

Project description: Alchevsk City Council based on the project of the LuhanskVodProekt [Luhansk water project], Ltd. developed within the framework of State Solid Waste Management Program to put efforts to attract funding from the State Budget and domestic and foreign investors.

Project outcomes: Environmental situation in the city improved

Implementation timeframe: 2008 – 2010

Responsibility: Department for Labour Safety and Environment of Alchevsk City Council Executive Committee, V.Bahach

Source of funding: 1,945,793 UAH, State Budget, Oblast Environmental Fund

A.2.2. Sorting of solid waste

Project description: City Council in cooperation with the Main Department for Housing and Utilities to arrange for sorting of domestic waste on the territories adjacent to residential buildings and removal by specialised trucks to the landfill for further utilisation.

Project outcomes: The conditions for protection and regeneration of the favourable living environment created through the optimised system of solid waste management in the city and its further development.

Implementation timeframe: 2008 – 2012

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 2,760,000 UAH, State Budget

A.2.3. Reconstruction of the street lighting system

Project description: City Council and its executive departments together with private companies to conduct the survey of the street lighting system and to consider opportunities to attract funding for its development and introduction of energy saving technologies.

Project outcomes: The level of operational quality of electric city street lighting system improved

Implementation timeframe: 2008

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 1,594,389 UAH, city budget

A.2.4. Improve the quality of potable water and reorganise the water supply system

Project description: City Council, its Executive Committee and the Alchevsk Water and Sewage Utility Company to develop a program consisting of systemic steps aimed at reorganisation of the city water supply system and improvement of the potable water quality and submit the program for consideration by the City Council.

Project outcomes: The number of virus diseases decreased; indicators of potable water quality improved; reduction of water supply system failures.

Implementation timeframe: 2008 – 2020

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 85,515,100 UAH, 10% city budget, 90% State Budget

A.2.5. Optimisation of the district heating system

Project description: Executive Committee of the City Council in cooperation with district heating companies to assess the capacity of available resources of the city in order to reorganise the district heating system and to initiate the preparation of the corresponding city program.

Project outcomes: The level of energy consumption decreased; norms of fuel and energy resources lowered; heat supply to customers improved

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 10,450,000 UAH, 10% city budget, 90% State Budget

A.2.6. Capital repairs of in-block territories

Project description: Executive Committee of the City Council in cooperation with housing and utility companies to perform city beautification works, namely: improvement of children playgrounds, small architectural installations, as well as capital repairs of roads and pavements.

Project outcomes: Health protection of city residents and children improved; bringing the in-block territories of the city up to sanitary and technical standards

Implementation timeframe: 2008 – 2011

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 5,000,000 UAH, city budget

A.2.7. Capital repairs of lifts

Project description: Executive Committee of the City Council in cooperation with housing and utility companies to perform capital repairs of lifts in the city and dispatcher units and control stations for multi-storeyed buildings.

Project outcomes: Operations of the lift system in the city resumed completely; reduction of the social tension for city residents

Implementation timeframe: 2008 – 2012

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 30,000,000 UAH, State Budget

A. 2.8. Resolution of problems of city outskirts

Project description: Executive Committee of the City Council and executive departments of the City Council to support the resolution of problems of the city outskirts, the Gorke, Bryketna, Vasylivka settlements, and the territory of the Building Structure Factory in order to supply them with telephone lines, gas and water distribution and sewage networks, and to performs beautification works.

Project outcomes: Problems of the city outskirts resolved

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 15,000,000 UAH, 50% city budget, 50% State Budget

A.3. Introduction of energy saving technologies

A.3.1. Develop and implement a Housing and Utilities Sector Energy Saving Program

Project description: City Council and its executive departments to conduct the survey of energy saving at the housing and utility companies, develop the City Housing and Utilities Sector Energy Saving Program and to ensure its implementation.

Project outcomes: The Housing and Utilities Sector Energy Saving Program developed and implemented

Implementation timeframe: 2008 – 2012

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 25,000 UAH, city budget

A.3.2. Support the diversification of energy supply

Project description: City Council, its executive departments and specialists to explore opportunities to use alternative means of energy supply at city housing and utility companies; identify the necessary resources, steps and implementers.

Project outcomes: Energy resources saved

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 25,000 UAH, city budget

A.3.3. Conduct the energy audit of the housing stock and works to insulate façades of buildings

Project description: City Council and its executive agencies to initiate and ensure energy audits of residential buildings and to develop a set of actions to insulate façades of these buildings and implementation schedule.

Project outcomes: Energy saving technologies introduced

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 175,000 UAH, city budget

A.3.4. Stimulate installation of metering devices for housing stock

Project description: City Council and its executive departments to develop a mechanism to encourage installation of metering devices for housing stock, namely: heat meters for residential buildings, hot water meters, electricity meters, etc.

Project outcomes: Energy saving actions performed

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 2,526,000 UAH, 10% city budget, 90% - State Budget

A.3.5. Implementation of technical measures to save the heat energy

Project description: City Council and its executive departments to develop and implement steps to optimise operations of heat distribution networks, check the compliance of actual parameters of heat transfer agents with their design parameters, control the main parameters of heat transfer agents (energy losses, pressure, temperature) in heat distribution networks, perform hydrochemical flushing of heating systems, improve the reliability and effectiveness of sources of heat, etc.

Project outcomes: Spending of energy resources decreased, norms of using fuel and energy resources lowered

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 2,459,620 UAH, 60% city budget, 40% State Budget.

A.3.6. Ensure attraction of external resources to provide funding for energy saving programs

Project description: City Council and its executive agencies in cooperation with utility companies to develop systemic approaches to identify and attract external resources, namely: resources of business entities, residents, international foundations and investors, State Budget funds, etc. In addition to that they will support drafting the necessary local ordinances.

Project outcomes: Energy saving programs implemented by housing and utility companies

Implementation timeframe: 2008 – 2010

Responsibility: Main Department for Housing and Utilities of the Alchevsk City Council, A.Pohrebnyak

Source of funding: 22,525,000 UAH, 10% city budget, 90% State Budget.

B. Creation of Favourable Conditions for Small and Medium-Sized Enterprise Development

Development of small and medium businesses depends on a great number of various factors. One of the key factors influencing business development is the local business climate and business support infrastructure.

Nowadays investments have become extremely important. They not only facilitate the inflow of the necessary financial resources for local economies, but also bring new managerial skills, innovations and technologies, new markets and new business opportunities for local small and medium-sized enterprises. They also have an important social effect – new jobs. At the same time, this sector is characterised by high competition between countries, regions and cities which offer all possible preferences to attract investors to their territory.

The ability of any city to attract foreign investments is determined by many other factors, such as the condition of technical infrastructure, availability of premises and well-developed sites for new construction, favourable business climate, availability of trained work force, the city image, and the scope and quality of services rendered by executive departments of the city government and other institutions and organisations. The success of the current city marketing and promotion strategy to be supported at the national level, as well as has a direct impact on the investment injection into the local economy. Availability of a list of not very expensive land plots with proper infrastructure (with affordable tariffs for energy supply) is an advantage in competing for job creating investments. Alchevsk, despite the limited city territory, has certain potential in preparing attractive proposals of industrial sites and/or premises.

The city should diversify the sources of financial resources through attracting manufacturers from other sectors in the city. The city can continue developing its traditional industrial sectors (ferrous metallurgy, coke production, chemical industry, construction materials production and machine building) along with placing innovative enterprises with environmentally friendly technologies, whose operations will be based on innovations and scientific research. One should do their best to make sure that the scientific potential the city possesses is utilised in industrial development.

A successful economic development strategy is based on a business climate which not only supports the attraction of job creating investments, but also retains the existing businesses in the city and encourages the creation of new companies. Very often the local business environment represents the result of the relationships between the City Hall and business community. Therefore, this climate can be improved through more efficient communication between the two parties mentioned above and through providing information for the private business sector by means of regular meetings of entrepreneurs and local government representatives, creation of an information and consultation service for businessmen, and an information system.

A modern information system may include a two- or three-dimensional digital model of the city developed on the basis of GIS technologies with all the necessary information about the sites, hard infrastructure, planning limitations, ownership, etc. Modernisation of the city web-site can be recommended as a first step in this direction.

Access to buildings, manufacturing and office premises is critical for the small and medium enterprise support. Increased openness of the local government during the sales of the communal real estate property (for instance, through open auctions) could facilitate the increase of the small and medium enterprise share in the structure of the city economy.

Very often city councils, while planning development of small and medium businesses, draft long-term programs for SME support. These programs set development priorities and identify financial and economic tools to support certain sectors.

One certainly has to make serious efforts to conduct the proper advertising and promotional campaign and to create the corresponding city image.

B.1. Development of business infrastructure

B.1.1. Inventory of items of the city infrastructure and its improvements aimed at attracting investors on the territory of the city of Alchevsk

Project description: The Main Department on Architecture, City Planning and Land of the Alchevsk City Council to support the inventory of land plots in order to identify those suitable for business purposes. The Main Department on Architecture, City Planning and Land of the Alchevsk City Council, the Main Department for Housing and Utilities of the Alchevsk City Council to support the creation of industrial zones with the proper infrastructure in order to set up new companies. The Main Department on Architecture, City Planning and Land of the Alchevsk City Council to coordinate the preparation, approval and adoption of the City Master Plan, update (creation) of layout plan and cartographic materials, preparation of the plan of land use arrangement in the city, as well as design project documentation to identify the city limits, and to create conditions to prepare the city planning cadastre.

Project outcomes: The registry of land plots which are not currently used by their owners and can be offered to investors created. Investors have an opportunity to choose land plots to set up businesses. The city investment attractiveness improved. The City Master Plan and the Plan for Land Use Arrangement are approved by the City Council

Implementation timeframe: 2008 – 2010

Responsibility: Main Department on Architecture, City Planning and Land of the Alchevsk City Council, V.Kolobayev

Source of funding: 2,508,000 UAH, 50% city budget funds, 50% investor funds

B.1.2. Improvement of the system of rendering high quality services by local government authorities to businesses and potential investors

Project description: The Department of Consumer Markets and Protection of Consumer Rights of the Main Department for Economy, Market Relations and Investments of the Alchevsk City Council, Main Department for Finance of the Alchevsk City Council to develop a mechanism to provide incentives to small and medium-sized enterprises through local taxes and fees. The Department for Industry and Entrepreneurship of the Main Department for Economy, Market Relations and Investments of the Alchevsk City Council to make continuous efforts to expand the spectrum of permit procedures exercised by the One-Stop-Shop Permit Office. The City Mayor to initiate the creation of a department within the organisational structure of the City Council to attract investments and set up a system to train city managers to work with investors.

Project outcomes: Support to business activities, implementation of investment projects in priority areas of social and economic development of the city. Information necessary for business activities provided to business entities. Expansion of the spectrum of permit procedures exercised by the One-Stop-Shop Permit Office. Increased professional level of employees of executive departments of the City Council, employees have the necessary new knowledge and skills to work with investors

Implementation timeframe: 2008 – 2012

Responsibility: Main Department for Economy, Market Relations and Investments of the Alchevsk City Council, O.Kochetkova

Source of funding: 153,200 UAH, 50% city budget, 50% investor funds

B.1.3. Development and implementation of a mechanism to provide incentives to local manufacturers through relevant surveys and innovations

Project description: The Department of Consumer Markets and Protection of Consumer Rights of the Main Department for Economy, Market Relations and Investments of the Alchevsk City Council to organise and perform the marketing survey of markets of locally manufactured products and services. The marketing survey will produce a report including the description of the data obtained, conclusions and recommendations. The Department for Industry and Entrepreneurship of the Main Department for Economy, Market Relations and Investments of the Alchevsk City Council in cooperation with experts from the Donetsk State Technical University (DSTU) to organise round table discussions for business entities in order to learn the legislation regulating innovation activities and intellectual property, become familiar with innovation projects prepared by the DSTU specialists, and consultation assistance to innovation project designers. Activities to create a register of innovation projects implemented in the city economy to be conducted.

Project outcomes: The marketing survey of markets of locally manufactured products and services will allow to identify new priorities in the economic development of the city. The mechanism for interaction of

science and manufacturing sector to put in place will support the introduction of innovation technologies at small and medium-sized enterprises

Implementation timeframe: 2008 – 2012

Responsibility: Main Department for Economy, Market Relations and Investments of the Alchevsk City Council, O.Kochetkova

Source of funding: 1,000 UAH, city budget

B.2. Formation of a positive city image and promotion of the city on domestic and external markets

B.2.1. Participation of the city in regional and all-Ukrainian exhibition trade fairs

Project description: The Department for Industry and Entrepreneurship of the Main Department for Economy, Market Relations and Investments of the Alchevsk City Council to organise the participation of business entities in exhibition events through media and Internet. The department to cooperate with the Luhansk Trade and Industrial Chamber. The Department of Consumer Markets and Protection of Consumer Rights of the Main Department for Economy, Market Relations and Investments of the Alchevsk City Council to organise exhibitions and trade fairs at the city level and invites local manufacturers to participate in these events.

Project outcomes: Participation of business entities in exhibition events held at various levels will assist in searching for potential investors, promoting locally manufactured products to new markets, and broadening cooperation in various sectors of economy

Implementation timeframe: 2008 – 2012

Responsibility: Main Department for Economy, Market Relations and Investments of the Alchevsk City Council, O.Kochetkova

Source of funding: 35 000 UAH, 50% city budget, 50% investors funds

B.2.2. Design a PR campaign to support the positive image of the city of Alchevsk in regional and Ukrainian mass media and Internet publications

Project description: Department for Internal Policy of the Executive Committee of the Alchevsk City Council to take efforts to design a PR campaign to support the positive image of the city of Alchevsk, cooperate with mass media, survey public opinion, and ensure that information about the contribution of small and medium-sized businesses in social and economic development of the city is covered by media.

Project outcomes: Dissemination of news about the manufacture of goods and services in the city, promotion of locally manufactured products to new markets, public interest towards all aspects of small and medium-sized enterprise activities

Implementation timeframe: 2008 – 2012

Responsibility: Department for Internal Policy of the Executive Committee of the Alchevsk City Council, S.Cherkasova

Source of funding: 33,700 UAH, 50% city budget, 50% investor funds

B.2.3. Publication of reference materials, business catalogues, brochures about the city of Alchevsk with the city symbols

Project description: Information and Analytical Department of the Alchevsk City Council, Department for Industry and Entrepreneurship of the Main Department for Economy, Market Relations and Investments of the Alchevsk City Council to take steps to design reference materials, business catalogues, brochures and booklets about the city.

Project outcomes: Creation of a positive city image, presentation of its potential and opportunities at the regional and national levels

Implementation timeframe: 2008 – 2012

Responsibility: Information and Analytical Department of the Alchevsk City Council, S.Harbusova

Source of funding: 180,600 UAH 50% city budget, 50% investments

B.3. Human resource development

B.3.1. Monitor demand and supply at the labour market

Project description: Alchevsk City Employment Agency, Main Department for Labour and Social Protection of the Alchevsk City Council to conduct permanent monitoring of demand and supply at the labour market, Identify the list of professions in demand by the city companies, perform the survey of non-employed labour force (registered jobless). The survey conducted will provide information for decision-making on issues associated with resolution of problems of imbalances at the city labour market.

Project outcomes: The monitoring results will allow to have a more accurate approach to reserve vacancies at city enterprises and to suggest a list of professions most needed at enterprises to vocational schools

Implementation timeframe: 2008 – 2012

Responsibility: Alchevsk City Employment Agency, V.Chaplyuk

Source of funding: 5,000 UAH, State Budget

B.3.2. Designing and setting up a system for training in entrepreneurship skills

Project description: Alchevsk City Employment Agency to design and set up a system for training in entrepreneurship skills for jobless residents, conduct training and on-the-job training of the unemployed, provides seed money for the unemployed to launch their businesses.

Project outcomes: Implementation of the system for training in entrepreneurship skills will allow to lower the level of unemployment in the city and will create new jobs in private business sector

Implementation timeframe: 2008 – 2012

Responsibility: Alchevsk City Employment Agency, V.Chaplyuk

Source of funding: 2,055,000 UAH, State Budget

B.3.3. Design and implement a Youth Private Business Motivation Program

Project description: Department for Family and Youth of the Executive Committee of the Alchevsk City Council, Main Department for Education of the Alchevsk City Council, Alchevsk Employment Agency, Alchevsk Youth Council in cooperation with the city higher educational establishments and vocational schools to design and implement a Youth Private Business Motivation Program, conduct joint events aiming at professional orientation for youth, organise and conduct a city competition of business plans for young people who start their businesses.

Project outcomes: The Youth Private Business Motivation Program will improve professional orientation of the youth, increase labour motivation, lower youth unemployment level, and train highly qualified specialists for small and medium-sized enterprises

Implementation timeframe: 2008 – 2012

Responsibility: Department for Family and Youth of the Executive Committee of the Alchevsk City Council, Ye.Goltsova

Source of funding: 10,500 UAH, city budget

B.3.4. Support active and effective operations of business associations in the city of Alchevsk

Project description: Alchevsk City Council to support active and effective operations of business associations in the city to implement economic reforms, establish and promote market relations, mutually beneficial cooperation in the area industry, trade and services, protection of local manufacturers, participation in the implementation of the City Small and Medium-Sized Enterprise Support and Development Program, as well as to support the creation of new business associations.

Project outcomes: The active cooperation of the city government, businesses and community will result in business development in the city, promotion of trade and economic relations, and protection of rights and interest of entrepreneurs

Implementation timeframe: 2008 – 2012

Responsibility: Main Department for Economy, Market Relations and Investments of the Alchevsk City Council, L.Kochetkova

Source of funding: no funding was envisioned, the tasks to be performed within the limits of powers of the local government

Setting of Priorities

At the meeting of the City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan the Committee members with the help of a questionnaire agreed on the priorities of objectives for the two action plans:

- (A) utility infrastructure development based on innovation and energy saving technologies,
- (B) creation of favourable conditions for small and medium-sized enterprise development.

The goal of the priority setting exercise is to develop a long-term reference material which will assist the Committee responsible for the Alchevsk Economic Development Strategic Plan implementation management and the city leaders to better allocate human and financial resources. The Committee reached the conclusion that all the objectives are important for the future of Alchevsk and represent the new activities outlined by the Strategic Plan.

Taking into consideration the importance of projects, the members of the abovementioned Committee suggested to evaluate 30 objectives according to the following criteria:

- impact on the strategic goal;
- feasibility;
- implementation time frame;
- impact on investments and job creation;
- private sector involvement in goal implementation.

27 members of the Committee participated in the priority setting exercise.

Main priority setting results:

The future of the local economy is first of all associated with the creation of favourable conditions for investment attraction. The highest aggregate scores were given to the objectives from the "Creation of Favourable Conditions for Small and Medium-Sized Enterprise Development" Action Plan (the average score of 13.6) followed by the objectives from the "Utility Infrastructure Development Based on Innovation and Energy Saving Technologies" Action Plan (the average score of 13.48). All objectives received high scores (13.52).

The following priorities were named for strategic goals:

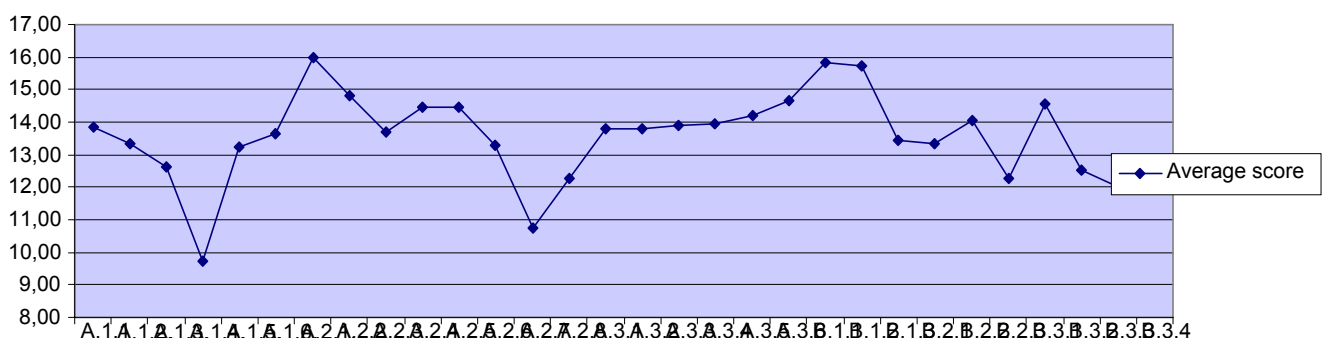
B.1	Development of business infrastructure	15.01
A.3	Introduction of energy saving technologies	14.06
A.2	Reconstruction of the utility infrastructure	13.61
B.2	Formation of a positive city image and promotion of the city on domestic and external markets	13.22
B.3	Human resource development	12.84
A.1	Introduction of modern managerial techniques in the housing and utilities sector of the city	12.74

The three top priority project of the whole Strategic Plan are: reconstruction of the solid waste landfill in the city of Alchevsk, inventory of city infrastructure property and its improvements aimed at attracting investors on the territory of the city of Alchevsk, and improved system of rendering high quality local government services to businesses and potential investors.

The following objectives, such as: sorting of domestic solid waste, attraction of external resources to provide funding for energy saving programs, development and implementation of an energy saving program at housing and utility companies, improvement of quality of potable water and reorganisation of the water supply system, optimisation of the heating system, and implementation of technical measures to save the heat energy have almost the same average score (14, 82 – 14.22). The Committee members consider them to constitute foundations for the development of small and medium-sized enterprises (in other words, they have impact on job creation and investment attraction), find them feasible and compatible with other objectives.

The objective called “Design a PR campaign to support the positive image of the city of Alchevsk” (14.07) has also been rated rather high. This is a component, which does not require considerable capital investments, however, at the same time, it is critical for the promotion of the city on external and Ukrainian domestic markets, because in the past the city had a negative image associated with the disaster in the district heating system in winter of 2006.

The final distribution of objectives according to the priority of their implementation regardless of their relation to critical issues is the following:



Rating	№	Objective / Project	Average score
1.	A.2.1	Reconstruction of the landfill in the city of Alchevsk	15.96
2.	B.1.1	Inventory of items of the city infrastructure and its improvements aimed at attracting investors on the territory of the city of Alchevsk	15.85
3.	B.1.2	Improvement of the system of rendering high quality services by local government authorities to businesses and potential investors	15.74
4.	A.2.2	Sorting of solid waste	14.82
5.	A.3.6	Ensure attraction of external resources to provide funding for energy saving programs	14.67
6.	B.3.1	Develop and implement a Housing and Utilities Sector Energy Saving Program	14.56
7.	A.2.4	Improve the quality of potable water and reorganise the water supply system	14.44
8.	A.2.5	Optimisation of the district heating system	14.44
9.	A.3.5	Implementation of technical measures to save the heat energy	14.22
10.	B.2.2	Design a PR campaign to support the positive image of the city of Alchevsk	14.07
11.	A.3.4	Stimulate installation of metering devices for housing stock	13.93
12.	A.3.3	Conduct the energy audit of the housing stock and works to insulate façades of buildings	13.89
13.	A.1.1	Support the creation of competitive environment in the area of services rendered by the city housing and utility companies	13.85
14.	A.3.2	Designing and setting up a system for training in entrepreneurship skills	13.82
15.	A.3.1	Develop and implement a Housing and Utilities Sector Energy Saving Program	13.82
16.	B.2.3	Publication of reference materials, business catalogues, brochures about the city of Alchevsk with the city symbols	13.70
17.	A.1.6.	Implementation of the city public transportation program	13.63
18.	B.1.3	Development and implementation of a mechanism to provide incentives to local manufacturers through relevant surveys and innovations	13.44
19.	A.1.2.	Introduction of advanced technologies in the area of housing and utility services	13.33
20.	B.2.1	Participation of the city in regional and all-Ukrainian exhibition trade fairs	13.33
21.	A.2.6	Capital repairs of in-block territories	13.30
22.	A.1.5.	Develop a system of training for residents and housing and utilities specialists in the topics related to the housing and utilities sector and energy saving	13.22
23.	A.1.3.	Preparation of a set of actions to set up condominium associations	12.63
24.	B.3.2	Designing and setting up a system for training in entrepreneurship skills	12.52
25.	B.3.4	Support active and effective operations of business associations in the city of Alchevsk	12.30
26.	A.2.3	Reconstruction of the street lighting system	12.26
27.	A.2.8	Resolution of problems of city outskirts	12.26
28.	B.3.3	Design and implement a Youth Private Business Motivation Program	12.00
29.	A.2.7	Capital repairs of lifts	10.77
30.	A.1.4.	Setting up steering committees and monitoring entities with public participation	9.74

Implementation Management

The importance of the implementation and monitoring of the City of Alchevsk Economic Development Strategic Plan has been emphasized since the inception of the strategic planning process. The success of this effort will largely depend on positive economic and other changes brought about through implementation of the goal and objectives specified in the plan.

About 40 representatives of businesses, industrial enterprises, and educational institutions joined their efforts to develop the plan and to ensure its feasibility and trust on the part of the community. This dynamic work helped to unite the efforts of members of the City of Alchevsk Expert Committee on Preparation and Implementation of the Economic Development Strategic Plan.

The Project Implementation Management Committee (IMC) whose membership is composed of the most active Expert Committee members, such as: the Head of the Strategic Planning Expert Committee, Deputy City Mayor, Head of the Main Department for Economy, Market Relations and Investments, executive departments of the Alchevsk City Council, and other stakeholders represented by city entrepreneurs is charged with the task of monitoring the plan implementation. Thus, by its membership, the Project IMC will continue the public-private partnership which will make the strategic planning process possible and will strengthen the joint work.

The IMC will perform the monitoring of the quality of task implementation, implementation time frame through its quarterly meetings to evaluate the implementation status of each of the 30 objectives specified in the Strategic Plan. Employees of the Main Department for Economy, Market Relations and Investments of the Alchevsk City Council will support the activities of the Implementation Management Committee.

The Strategic Plan is a document which can be amended when the circumstances require to do so. It is the responsibility of the Members of the Implementation Management Committee, as well as all Alchevsk residents who are involved in this activity, to keep the strategic goals and objectives relevant and meaningful and to implement them. The Implementation Management Committee will hold its annual meetings to evaluate the results achieved and to amend the Strategic Plan. Draft ordinances to amend the Strategic Plan will be submitted for consideration by the City Council.