

# SRI International Memorandum

The reader should bear in mind that these are SRI International's initial impressions after three days of interviews in Ivano-Frankivsk and Lviv, Ukraine, from August 21 through 23. These are not based on data analysis and should not be viewed as definitive findings.

Overall, we left with a very positive impression of the planned Promprylad project. We see the potential for the project to have a large and positive impact culturally and economically on the city of Ivano-Frankivsk, as well as the surrounding region. From our interactions with the organizations leading this project—Teple Misto, Insha Osvita, Garage Gang, and CANactions—we believe that they are passionate and invested in the project and have largely overlapping goals and ambitions. However, because so many organizations are involved in the preparation of this project, communication and decision-making protocols will be very important to the management of the project going forward.

## The Promprylad Project in the Ivano-Frankivsk Context

SRI has worked in a multitude of different regions around the globe, each with its own distinct strengths and weaknesses. In our experience, when developing new institutions (such as the new Promprylad development), cities and regions should always begin by focusing on areas where they have some competitive advantage and build on those strengths, rather than try to build completely new areas of competence from nothing. For this reason, one of the main goals of our interviews was to determine Ivano-Frankivsk's strengths and explore ways the Promprylad project could build upon those strengths.

We also sought information on the weaknesses or gaps in the Ivano-Frankivsk innovation system. While a project like this one cannot address every systemic weakness, it should help address the most critical gaps or shortcomings. Identifying which gaps or weaknesses are most critical for Ivano-Frankivsk's entrepreneurs and businesses will be an important part of our research going forward.

## Strengths

Our immediate impression was that "quality of life" appears to be a major attraction for Ivano-Frankivsk. Quality of life is often overlooked in traditional economic development because the concept is difficult to define and measure, but there is a growing consensus that it has a major impact on city economies, particularly in the area of workforce. People want to live and work in places that they perceive as safe, healthy, and that have amenities and activities that they enjoy. A city with good quality of life will find it easier to retain and attract skilled workers, and a skilled workforce makes a city more attractive to businesses. Numerous interviewees referenced the Ivano-Frankivsk's low cost of living, family atmosphere, proximity to the Carpathian Mountains, and its many high-quality cafes and restaurants. We see an opportunity for the Promprylad

project, particularly the areas of art and culture, to further promote and enhance the quality of life in the city. Specific opportunities we discussed with interviewees included setting aside space for an art gallery or for temporary exhibitions, a cinema and/or an annual film festival, and for other cultural or art events.

Another area of strength is Ivano-Frankivsk's small, but growing, information technology (IT) sector. While IT does not yet form a major part of the city's economy (we have been told that there are around 1,500 to 2,000 IT professionals in the city), many people that SRI spoke to felt there was great potential for growth in this sector. IT companies in IF (and in Ukraine generally) are mostly focused on outsourcing services, though a few have developed their own products and services. We believe the Promprylad project, by offering some combination of co-working spaces, practical training courses, prototyping assistance, conference spaces, and other basic business services, can provide a strong boost to the development of new IT businesses and serve as a connector between existing IT companies in the city and region.

Much of SRI's research moving forward on this project will be to identify other areas of strength with strong growth opportunities in Ivano-Frankivsk. In our interviews, we discussed the possibility of creating a "makers space" with shared equipment that people could use for making different products. The question we must answer is, what types of shared equipment should this makers space have? What are the promising craft industries or other types of small manufacturing/production industries in the city that this space can serve?

## Weaknesses

One of the major challenges we discussed with interviewees was that businesses can often have problems finding skilled labor. Many interviewees said that, because of Ivano-Frankivsk's small size and lack of strong universities and colleges, it is often difficult to find talented and skilled employees. Many students do not have the practical skills needed by employers after they finish university. The Promprylad project can help address this gap by offering practical training courses, lectures, and conference space. In our interviews, SRI spoke with several potential partners who either (1) already have practical training curricula prepared and need space for classes, or (2) are willing to serve as instructors for training courses or lectures.

Ivano-Frankivsk has several other challenges it shares with the rest of Ukraine. The largest of these problems is the large wave of emigration of young Ukrainians that the country has experienced since the fall of the Soviet Union. Other challenges include difficulties finding and raising capital for business purposes, either through investments or loans. Because of this lack of capital, most Ukrainian companies have to rely on self-funding to scale up or develop new products. Interviewees also felt that many Ukrainian companies lack the knowledge and experience required to market their products internationally, so most companies do not bother to look beyond Ukraine's borders for customers.

Finally, several interviewees also noted that there are no "success stories" from Ivano-Frankivsk. By success stories, we mean companies that started in Ivano-Frankivsk, grew into large

companies, and are perceived as successful nationally and globally. This may seem trivial, but SRI has seen the transformative power that success stories can have on cities and regions. In Silicon Valley, where SRI is based, the success of Google and Facebook inspired thousands upon thousands of intelligent young people to start their own companies. The success of Skype in Estonia inspired the neighboring governments of Lithuania and Latvia to make changes in their national policies to promote their own indigenous IT industries. If the Promprylad project can help create just one local success story, SRI believes it could have a powerful inspirational effect on the city.