



TERNOPIL REGION IS AN ATTRACTIVE AREA FOR INVESTMENTS
with Competitive Economy, High Level of Human Resource Development and Pure
Natural Environment



OVERALL PERFORMANCE OF TERNOPIL REGION

The region was created on December 4th 1939

Total area: 13 800 sq km

Population: 1 100 000

Administrative and territorial division: 17 districts, 1 regional centre, 1021 villages

Regional centre: the city of Ternopil with 218 000 of population

Distance to Kyiv: 465 km

Type of climate: medium continental

Main rivers: the Dnister, the Zbruch, the Horyn, the Seret, the Ikva, the Hnizna

MAIN ACTIVITIES OF ECONOMICAL DEVELOPMENTS IN THE REGION DURING 2009

Gross regional product: 11.2 billions of UAH

Industrial product: 4.6 billions of UAH

Agricultural product: 3.1 billions of UAH

Capital investments volume: 1.7 billions of UAH

Retail trade turnover: 7.6 billions in UAH

Provided services: 1.3 billions of UAH

Foreign trade turnover: 316.8 millions of USD

Direct foreign investments: 66.5 millions of USD

Official number of unemployed: 2.3%

Average monthly salary: 1412 in UAH

Following the Official Decree No. 1001 “On Ratification of State Strategy for Regional Development for the Period Until 2015” issued by Ministry of Ukraine on July 21st 2006 there have been outlined the next priorities in development of Ternopil region until 2015:

- development of highly productive agricultural complex;
- technological update of machine building and processing industry;
- introducing high technologies in education and medicine;
- development and modernization of transport infrastructure. Development of communication and telecommunication services;
- development of tourist and recreational business.

Therefore, the following strategic tasks are being implemented, according to the above priorities:

Strategic task No. 1. Ternopil region is an attractive area for investments with competitive economy.

Strategic task No. 2. Ternopil region is the area with pure natural environment, highly developed culture, tourism and recreation.

Strategic task No. 3. Ternopil region is the area with high human resource development, productive employment of population, and effective system of providing social services.

Due to the type of economy structure and competitive advantages of the region, the next priority sectors have been outlined for investments for the medium term future:

- industrial complex with advanced technologies;
- transport and logistics;
- development of mineral and raw material sources;
- production of new power types on the basis of reproductive sources;
- agro-industrial complex;
- tourism and recreation;
- infrastructure projects.

Changes in economy structure anticipate implementation of the next actions and namely:

- government spendings for social and economical development and development of infrastructure according to approved programs for medium and short terms;
- full scale utilization of production power of economically active companies and search for investors with intention to utilize inactive productive potential;
- full scale utilization of resource potential and competitive advantages of the territory due to introducing new businesses, setting up new companies and industrial parks, namely those engaged in production of construction materials, development of tourism and recreation, machine building and metal processing industries;
- renewal of construction companies;
- restructuring of agricultural sector due to development of branches with advanced technologies and large-commodity production companies;
- stimulation of service infrastructure development and enterprising activities in countryside;
- development of innovation infrastructure and supporting innovation activities of various companies; development of production of communication and telecommunication means, lightning and medical equipment, development of radio electronic industry, machine building, alternative sources power production, etc.;
- development of logistics infrastructure.

TREASURES OF THE SOIL

There are more than 300 sources of nonmetallics discovered and examined on the territory of the region. Those include limes, chalk, malms, gypsum, sand, sandstones, clays, gravel and shingle materials, dolomites, etc. They are spread within the territory of the region and are mainly used as raw substance for production of various construction materials.

Such minerals as loams and clays (over 100 deposits) that serve raw material for production of brick, tile, glazed tiles pottery and haydite, are widely found in our region.

Sandstones are of tabular structure and are normally used for laying cobblestone roads, monuments, also as facing material.

Lime is used for production of crushed stone, finish tiles, wall blocks and also for lime burning; limes are also used in the process of sugar production.

The chalk deposits are significantly thick that allow open pit mining; they are also employed for the certain needs in mixed fodder industry and for liming soils.

Gypsum sources are suitable for liming soils; the material is also important for medical, paper, chemical and cements industries.

Malm deposits are utilized for cement production.

Gravel is mainly used for road works.

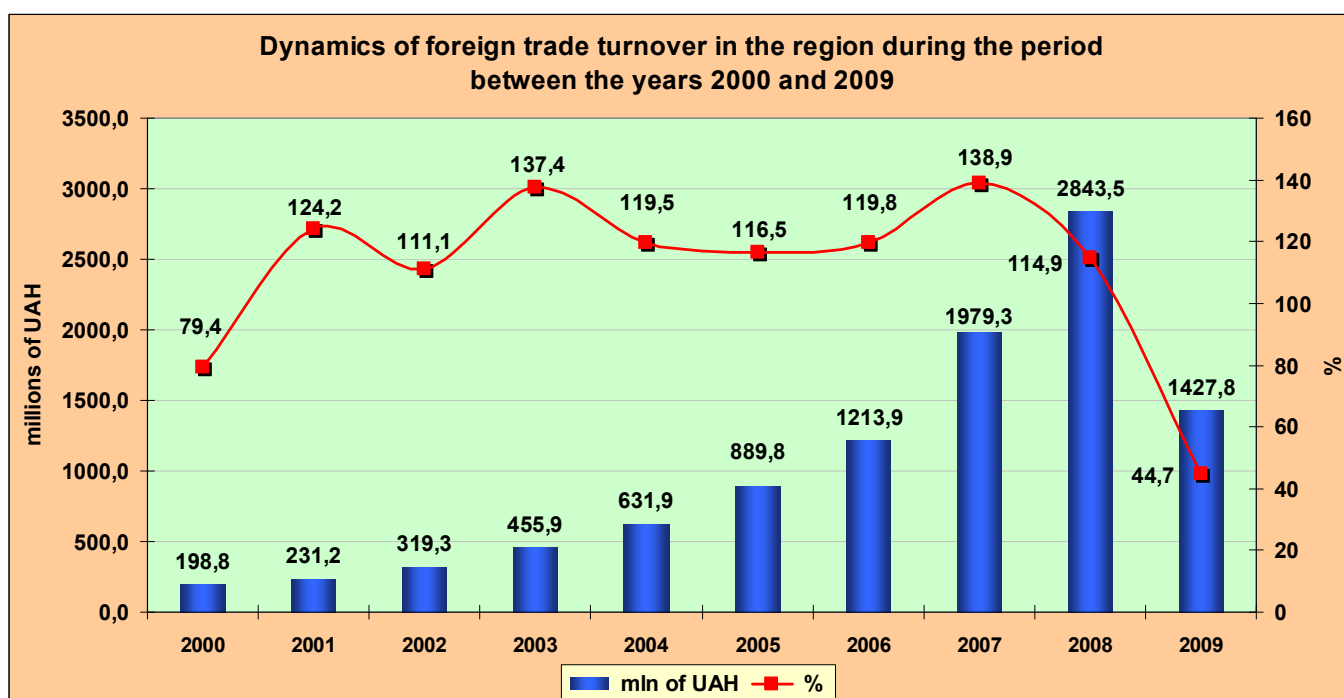
Sand is the main raw material for glass industry.

There are also a great number of mineral water sources within the region.

The biggest investment project to do with mineral and raw material resources being implemented in the region is the development of gypsum mines by SKALA Ltd., founded by the world-wide company KNAUF (Germany).

INVESTMENTS

During the year of 2009 the total of 1.7 billions UAH of capital investments was brought in to the economy of our region by all of the business entities, including about 1.43 billions UAH of investments brought into fixed capital.



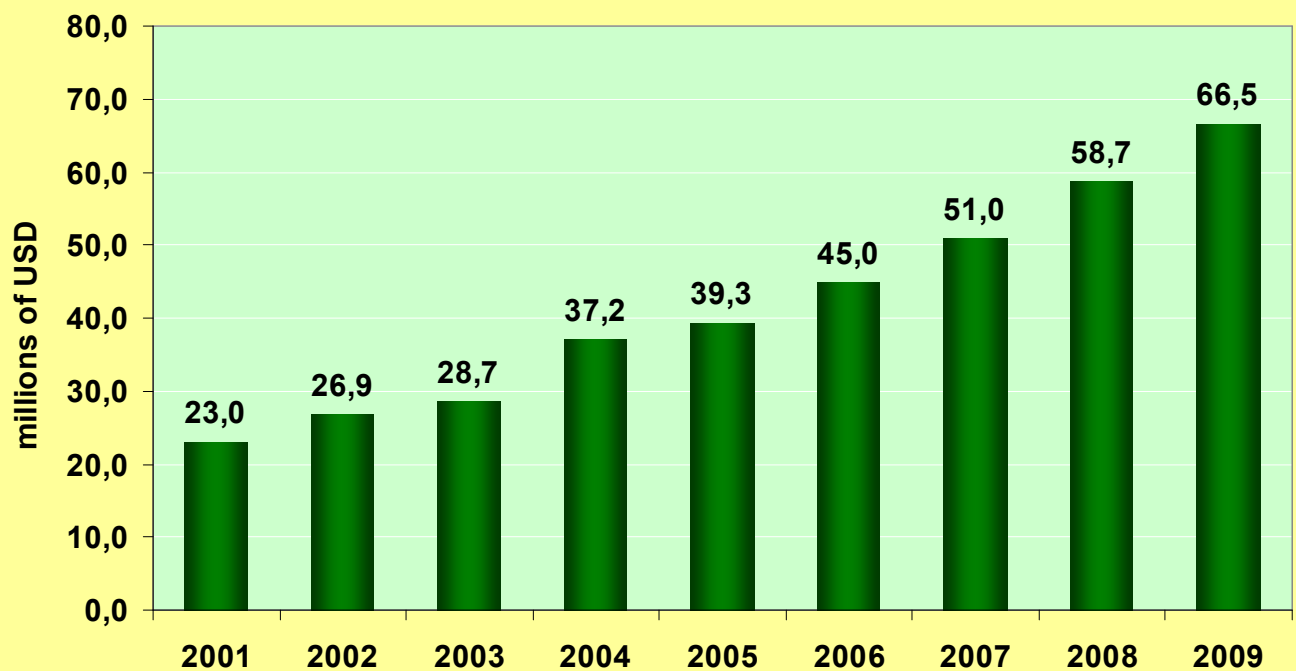
During the year 2009, foreign investors invested into regional economy 8.6 millions of US dollars.

Flow of direct foreign investments during 2006-2009



Influx of foreign investments was from 37 countries of the whole world. There exist 142 companies with foreign capital in the region. The total volume of foreign investments into economy of the region as of January 1st 2010 made 66.5 millions of US dollars.

Dynamics of attracting direct foreign investments into regional economy during 2001-2009



The major country-investors of the region are: Germany (27.7% of total volume of investments), Estonia (14.1%), Czech Republic (11.1%), Poland (9.5%), Australia (6.8%), Hungary (3.8%), Ireland (3.5%), Belgium (3.2%), Norway (2.9%) and Cyprus (2.6%).

The most attractive sectors to foreign investors in 2009 were: transport and communications (16.8% of total direct foreign investments volume), mining industry (16.3%), production of food, beverages and cigarettes (15.9%), farming, forestry and hunting (10.6%), engineering (9,6%).

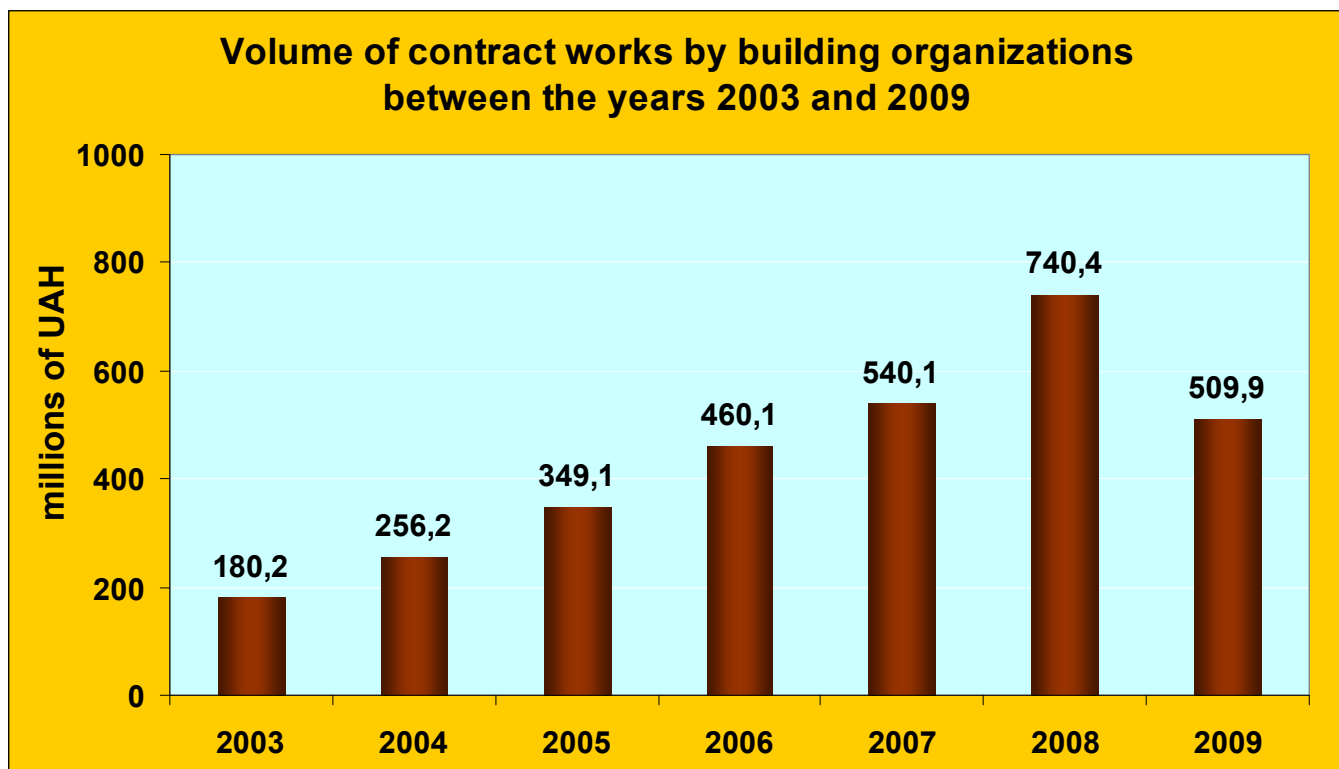
The most successful investment projects being realized in the region is the German company SUMITOMO ELECTRIC BORDNETZE GMBH that launched production of cable and conductor units for Volkswagen automobiles, also KNAUF INTERNATIONAL within KNAUF brand name that produces dry mixtures for building industry.

Construction complex of the region is made of two parallel industries: construction industry (a number of construction and mounting organizations) and production of construction materials (number of finishing industries that produce construction materials and structures).

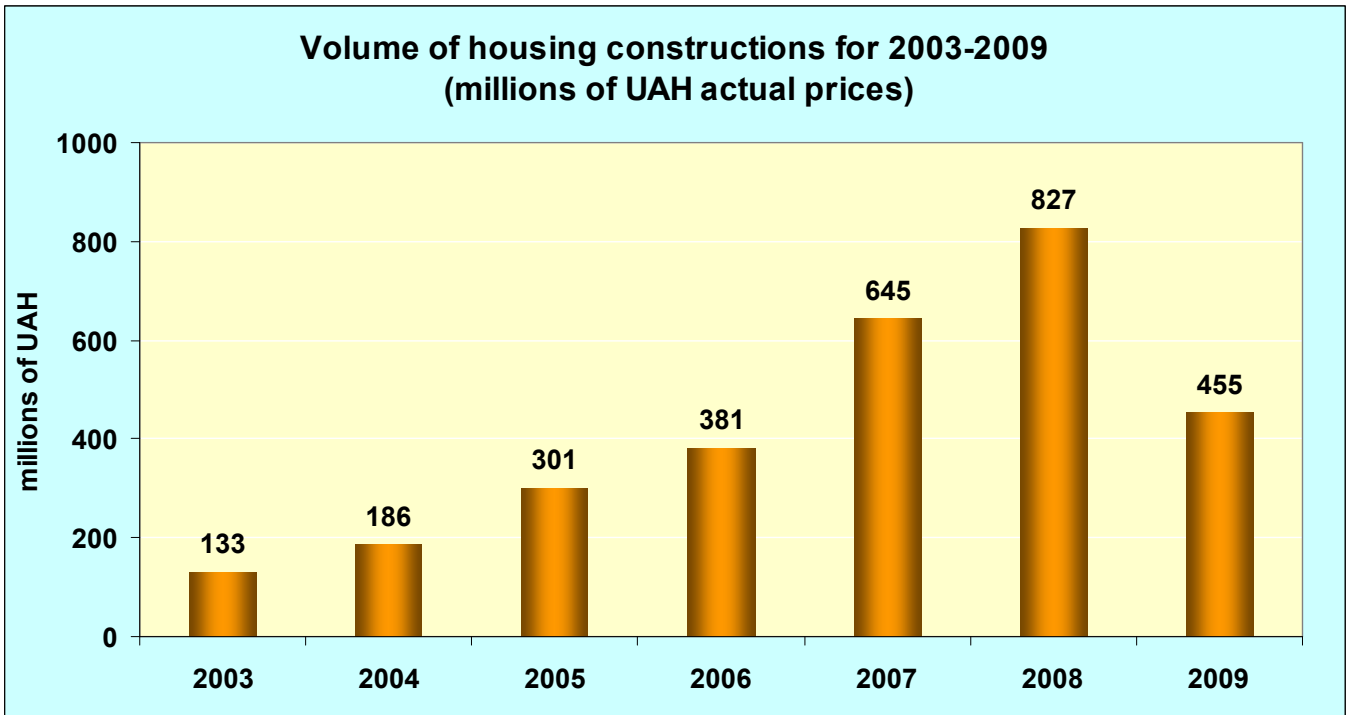
Production of construction materials is possible due to availability of local nonmetallics. The region produces two assembled concrete structures, brick, chalk, gypsum, asphalt, dry construction mixtures.

Construction complex of the region includes 233 companies and organizations whose main activity is construction of objects for housing, corporal, industrial, agricultural and social purposes.

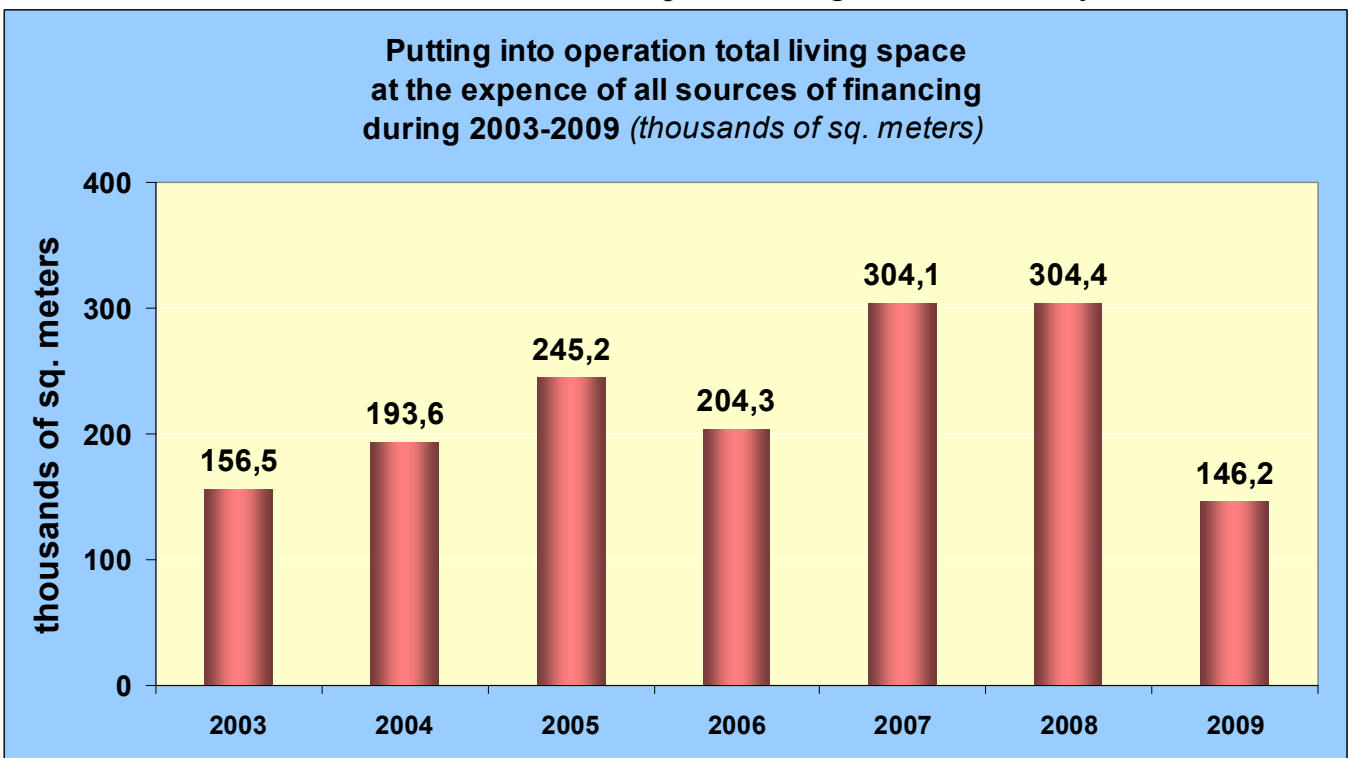
During 2009 construction work performed by the building organizations of the region worth 509.9 millions of UAH.



During 2009 due to all financing sources the house-building industry received 455 millions of UAH.



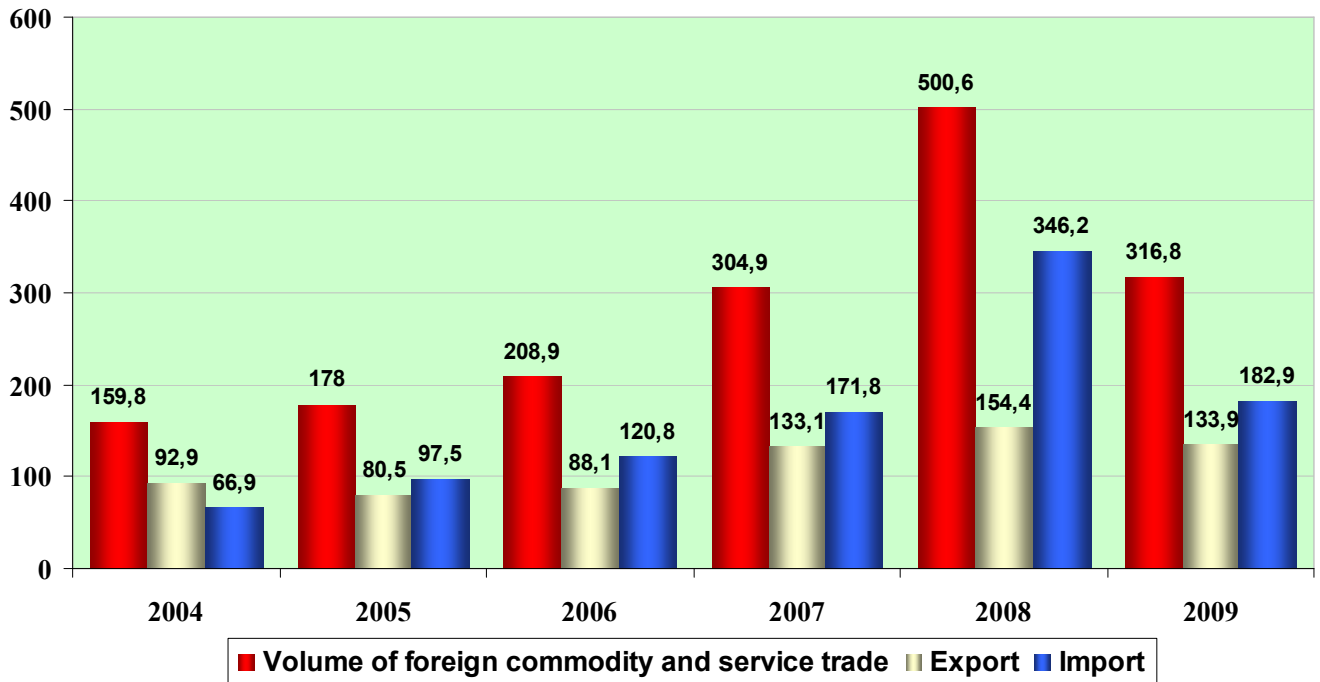
In 2009 as much as 146.2 thousands sq m of living area is in use by now.



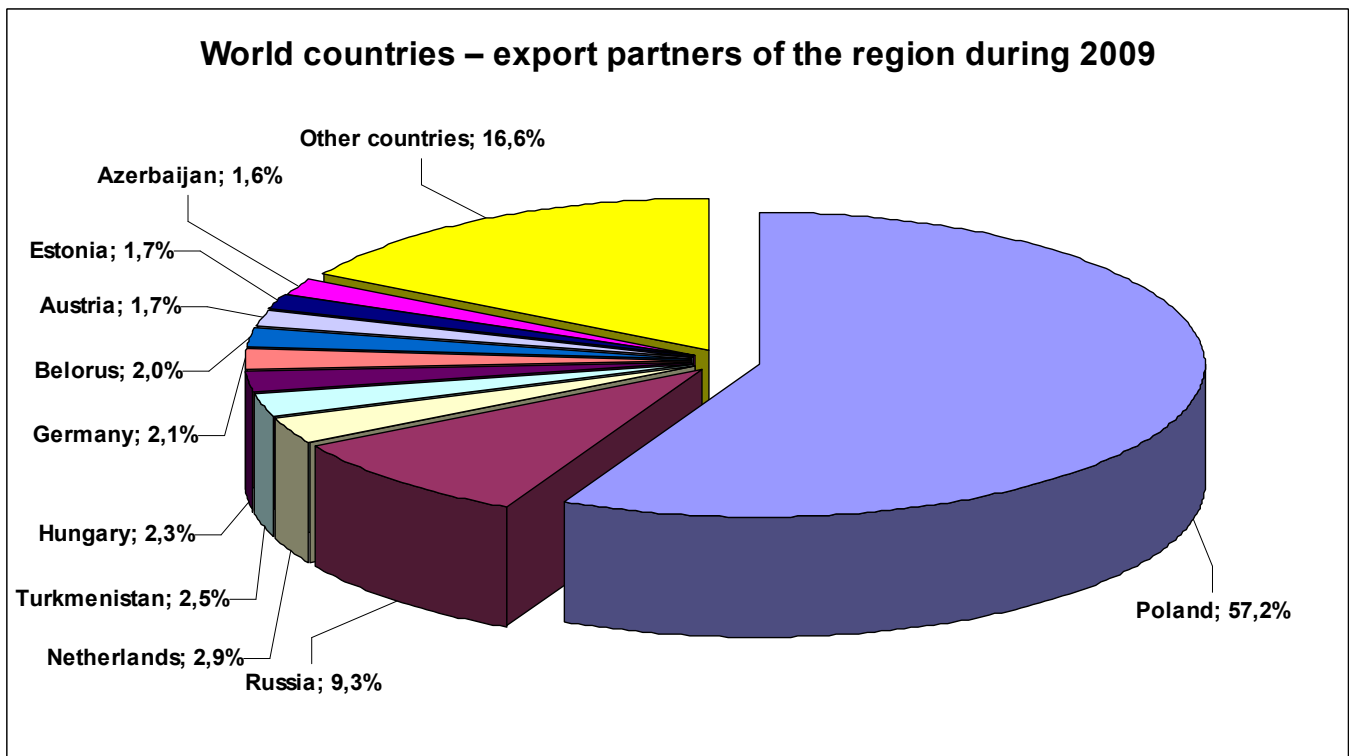
FOREIGN TRADE

For the year 2009 the Volume of foreign commodity and service trade in the region is estimated at 316.8 millions of US dollars that 36.7% less to the year 2008. The commodity and service export value is 133.9 millions of US dollars and import value is 182.9 millions of US dollars. Export and import volumes decreased 13.3% and 47.2% respectively, compare to the year 2008.

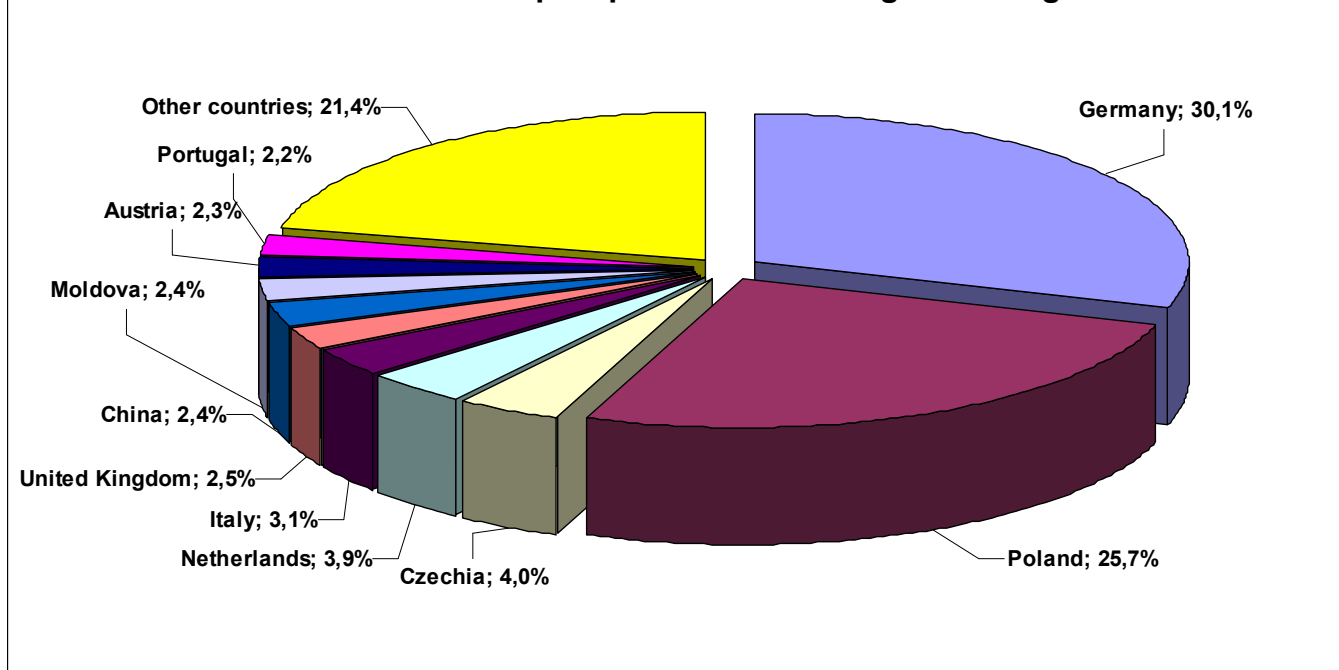
**Dynamics of foreign trade turnover in the region during the period
between the years 2004 and 2009 (millions of USD)**



In 2009 the region was involved in foreign commodity trade with 92 world countries. Export and import operations were done with the partners from 49 and 85 countries respectively.



World countries – import partners of the region during 2009



Export includes: 50.5% of electric machines and equipment, 11.0% of spirits and nonalcoholic beverages, vinegar, 7.2% of furniture, 7.2% wood and woodwork, 3.8% of seed and fruit-bearing plants, 3.5% of processed fruit and vegetables, 3.1% of boilers, machines, instruments and mechanical devices, 2.3% of textile clothing, 2.0% of toys, games, 1.6% of cereals and other.

Import structure includes: 30.4% of electric machines and equipment, 10.5% of boilers, machines, instruments and mechanical devices, 7.8% of polymeric materials and plastic, 5.9% of pharmaceutical products, 4.6% of ferrous metals, 4.5% of ground vehicles, except rail, 4.0% of essential oils and cosmetics, 2.7% of meat and food products, 2.7% of paper and cardboard, 2.1% of organic chemical compounds, and others.

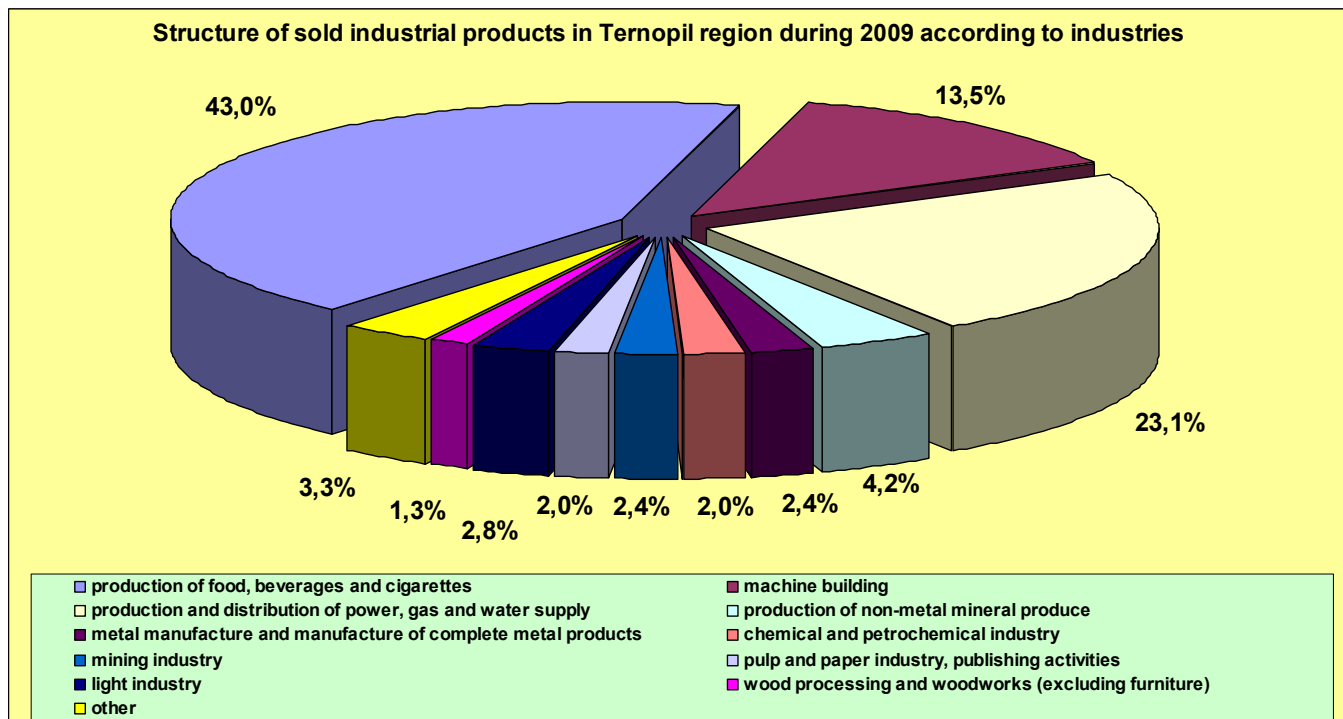
Foreign services turnover in 2009 due to cooperation with partners from world countries made 9.3 millions of US dollars. Transport services make the majority of all export services (4.9 millions of US) that equals to 88.1%.

Hotel and restaurant services make the majority of all import services (1.3 millions of US) that equals to 35.7%.

INDUSTRY

Since 2007 and till 2009 growth rate of industry production volume in the region made 1.8%.

The leading sectors of industry is the food industry (43.0%), electricity, gas and water production and distribution (23.1%), mechanical engineering (13.5%), production of non-metals and minerals (4.2%).



The industrial complex of the region produces the number of unique types of produce used not only in nationwide but also overseas.

CORPORATSIYA VATRA Ltd. specializes in making various illuminators for industrial and residential use.

ALPHA-GAZPROMKOMPLEKT Ltd., the Gas Equipment Plant, manufactures gas ball regulators for gas-compressor stations, ball cocks of various modifications, fuel catalysts, etc.

ORION Open JSC, the Ternopil Radio Plant specializes in making facilities for radio communication and wireless stations used in transport and other industries.

There are a number of powerful enterprises manufacturing cotton fabrics and cotton goods, namely the Ternopil TEKSTERNO Association Ltd. and GALIYA Ltd., enterprises producing leatherette and linoleum like VINITEKS Ltd., also glassware and woodwork production companies.

TRANSPORT AND COMMUNICATIONS

The length of motorways within the region reaches 5 thousand kilometers. It means on average there is 367.4km of asphalted roads per 1 sq. km.

The total railway length in the region is 552.8km and railway density of railway network is 41.4km per 1 000 sq km. Railway transport carries about 1.6 millions of tons of freight and 4.6 millions of passengers per year on average.

Ternopil Airport is just 5km away from the city. The chartered flights from the airport are intended for transporting passengers and freights within the country. The airport infrastructure is due for reconstruction in the nearest future. The nearest international ports are in Lviv (120km), Ivano-Frankivsk (170km) and Kyiv (500km).

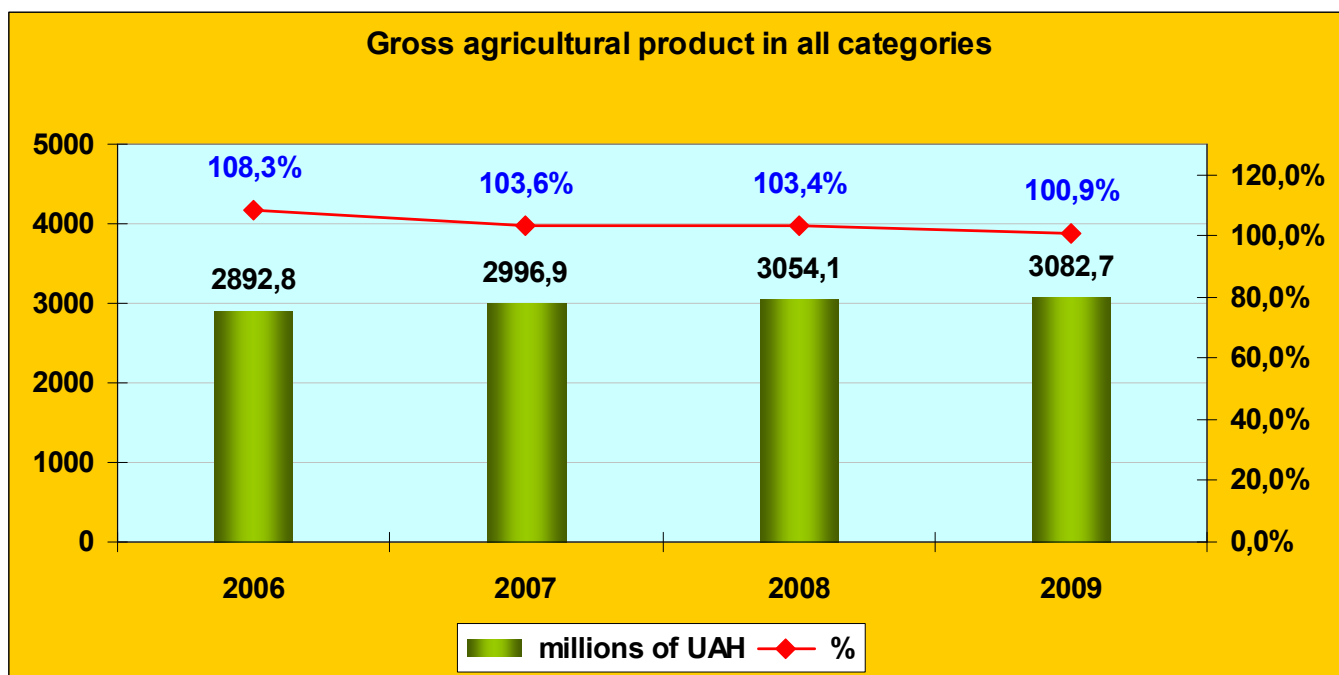
General communication services are represented by Ternopil Branch of TELECOM Open JSC as well as by the local managing board of UKRPOSHTA postal services state company. The getaway for international communication is provided by ATS/OPTS () and

ATS/ATS of EWSD type. Other operators include: UTEL Closed JSC, INFOCOM JSC, UKRAINIAN MOBILE COMMUNICATION (UMC) Closed JASC, KYIVSTAR GSM Closed JSC, ASTELIT Ltd., Internet and IP connections providers.

The number of the Internet users in the region is constantly growing and as of January 1st 2010 it has made 35.2 thousands of subscribers.

AGRO-INDUSTRIAL COMPLEX

In 2009 gross agricultural product turnover in the region grew 0.9% more and exceeded 3.1 billions of UAH.



Production of alcohol makes 28% in of the national gross produce, sugar beet – 12.5%, grain crops – 3.4%.

Among the food industries, production of alcohol and sugar production are the most significant ones.

In 2009 year gross collection of corn and legumes (including corn) within all of the economic categories of the region made 1574 thousands of tons.

As much as 2.3% of national agricultural holdings and 2.7% of national arable lands are located in Ternopil region. The region produces 3.0% of national agricultural product.

Considerable source of farming products is the reliable base for development of food industry. In the region, there are 8 sugar plants, 13 distilleries, 15 dairy plants, 2 breweries, 4 powerful plants of tinned foods, milling and baking plants.

Use of the energy produced by rape being grown in the region allows satisfying the farmers' need for renewal energy sources.

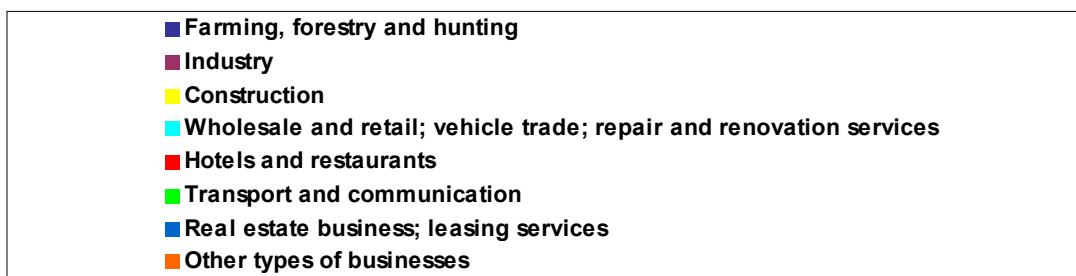
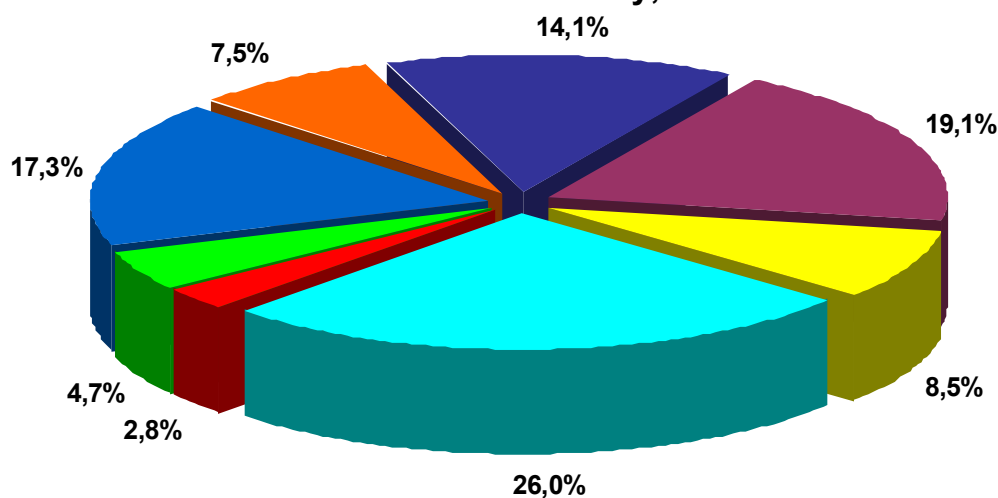
Development of technologies for biodiesel and biotethanol production is also carried out in the region. At present the relevant equipment is being introduced.

DEVELOPMENT OF SMALL BUSINESSES

In 2009 in the region, there have been active about 5100 of small business enterprisers, the figure is 4.2% grater if compared to the year 2008. During 2009 the

amount of enterprising structures within the population of the region has been 47 per 10 000 individuals.

Distribution of the enterprises according to the types of economical activity, %



In 2009 the amount of employed within business structures grew 3.1% more compare to the year 2008 and now makes 36500 employees. There are 39000 of private entrepreneurs in the region. Overall, small businesses make nearly one fifth of budget income.

Thanks to the development of entrepreneurial activity in 2009 there were available 7.3 thousands of new vacancies in our region.

Single registration and leisure centres operate throughout all of the districts of Ternopil region as well as in Ternopil city.

TRADE AND SERVICES

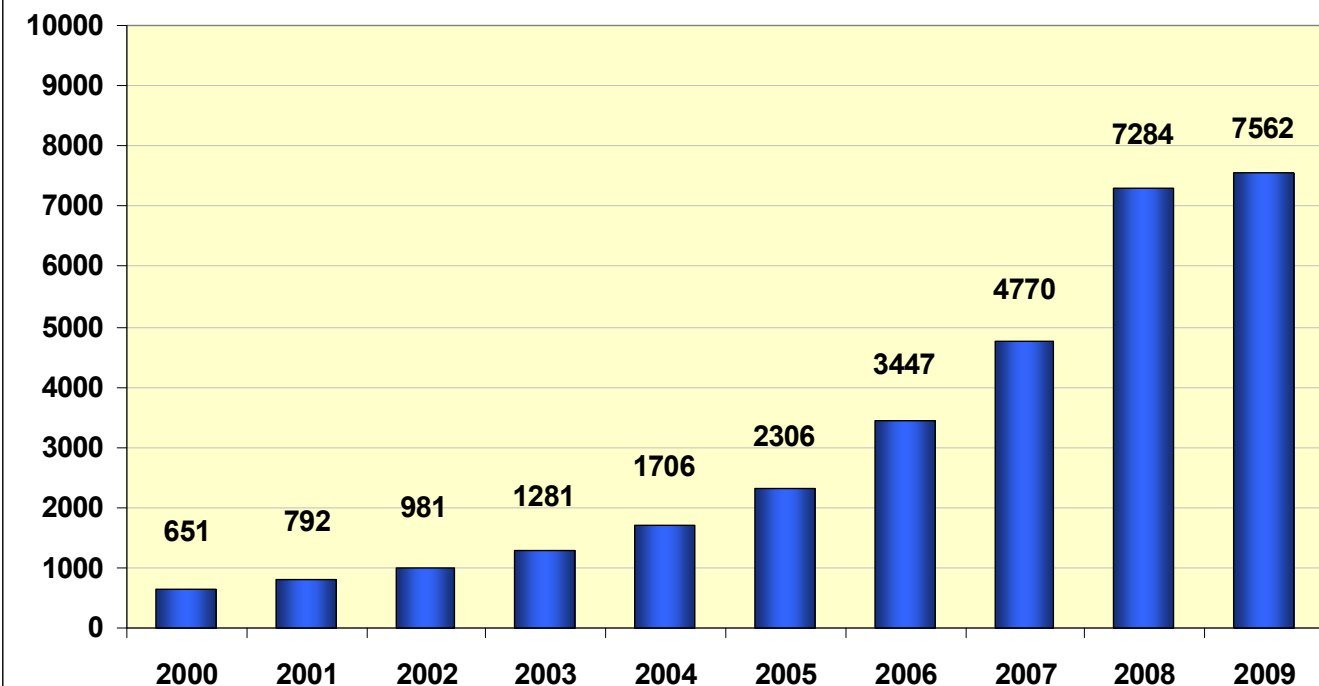
The consumer market of the region includes over 5500 food and nonfood stores, 1700 catering establishments and 67 street markets.

During 2009 over 240 food and nonfood stores, 39 restaurants and catering enterprises and more than 91 shops of consumer services there have been opened in the region on the basis of new construction and development or reconstruction of inactive trade businesses.

During 2009, the investments into the industry of trade and services reached 109.8 millions UAN.

Retail turnover during 2009 has made 7.6 billions of UAN.

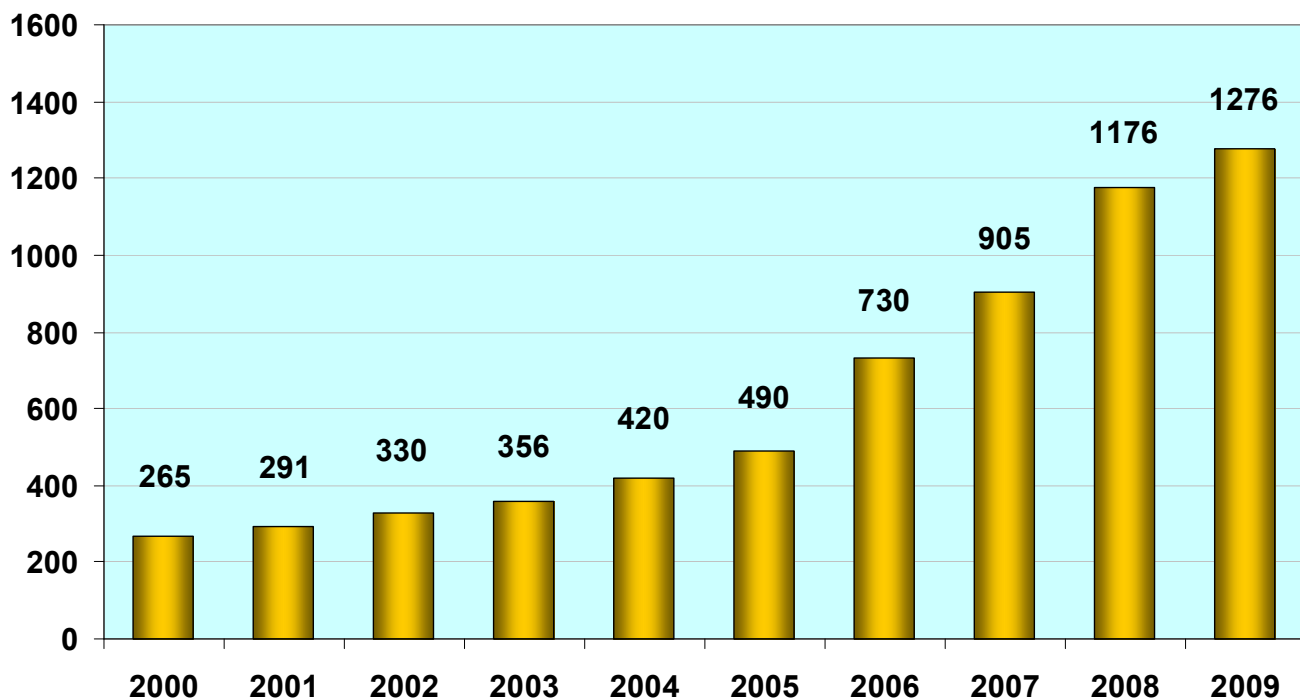
Retail turnover during 2000-2009 (millions of UAH)



Saturation of consumer market is happening mainly at the expense of domestic product trade that makes about 72% of overall retail turnover.

There are 876 companies and their branches active within the market of services. The cost of services provided during 2009 has been estimated at 1,3 billions of UAN. Over 2 000 companies and private entrepreneurs provide consumer services for the population.

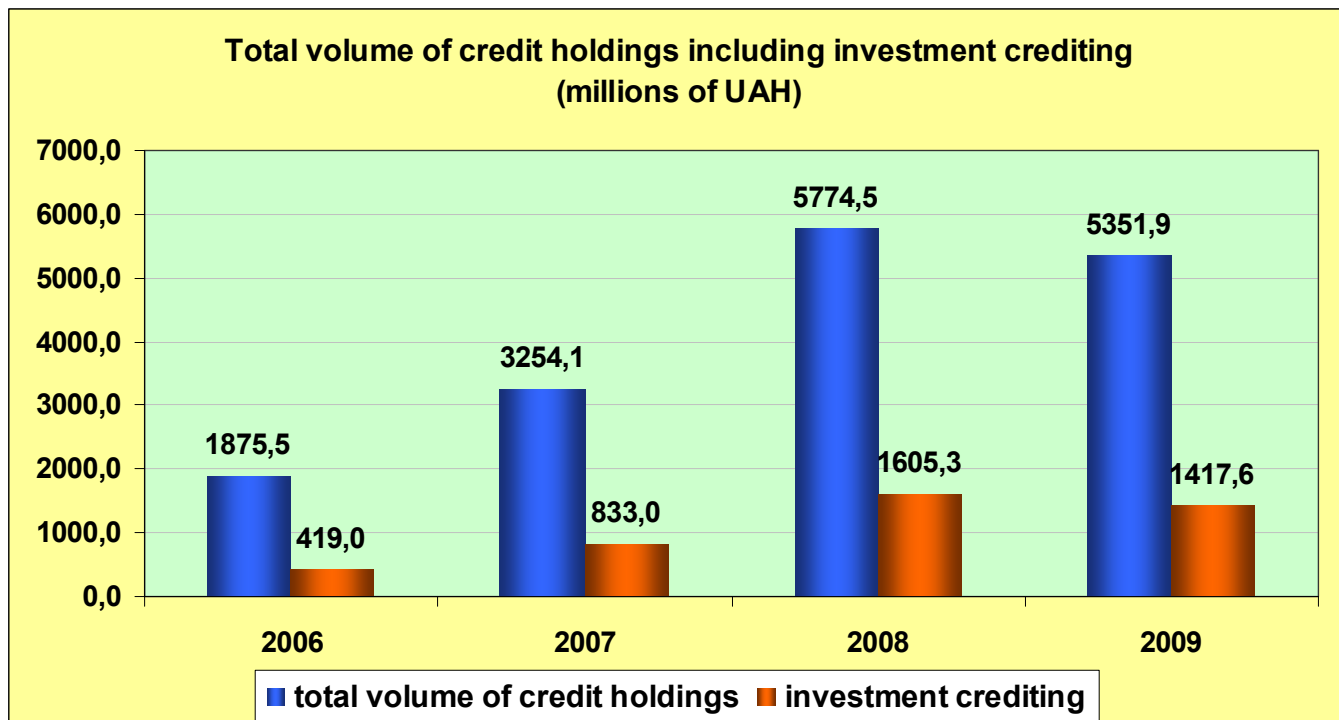
Paid services during 2000-2009 (millions of UAH)



FINANCIAL AND CREDIT SUPPORT OF BUSINESSES

In the region presently there operate 53 banks represented by 25 balance branches and by 290 off-balance departments. Such an infrastructure favours development of entrepreneurial activity, growth of capital investments, it also positively influences the results of financial activity of enterprises.

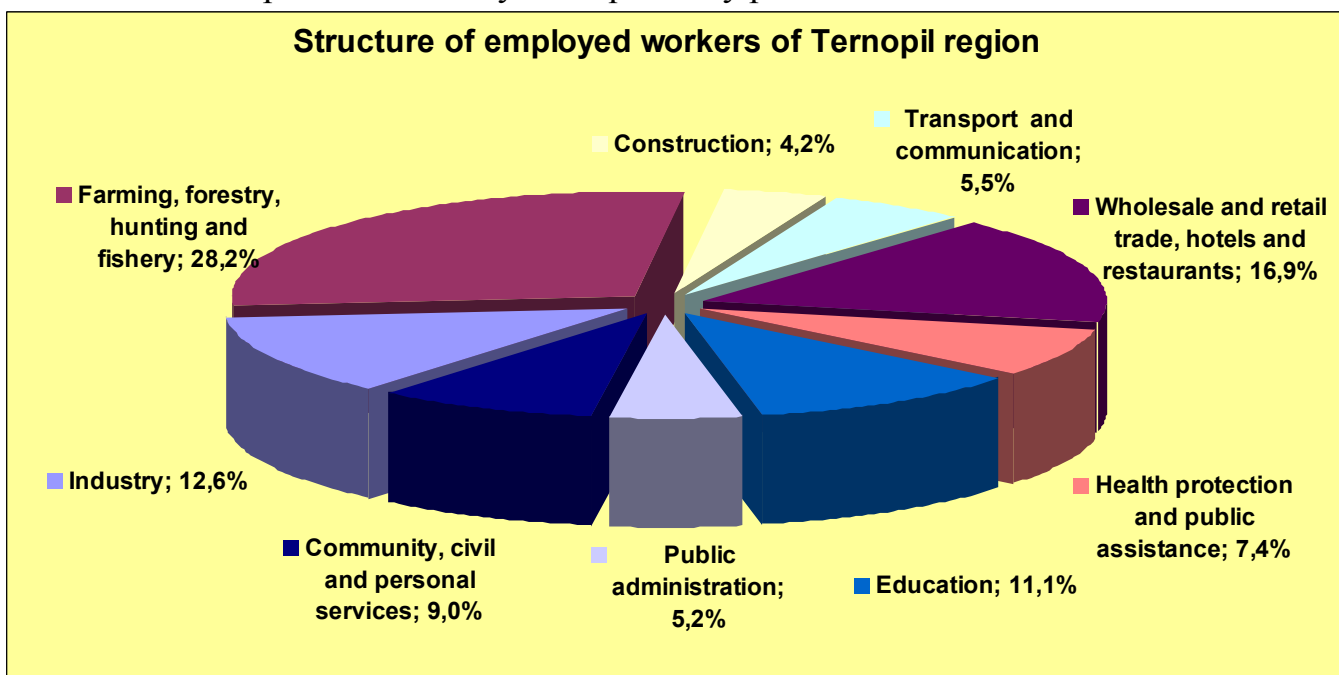
The total volume of credit holdings within the banks of the region in 2009 is 5.4 billions of UAN.



In 2009 the budget support provided for agroindustrial enterprises within different programs made approximately 441.9 millions UAN.

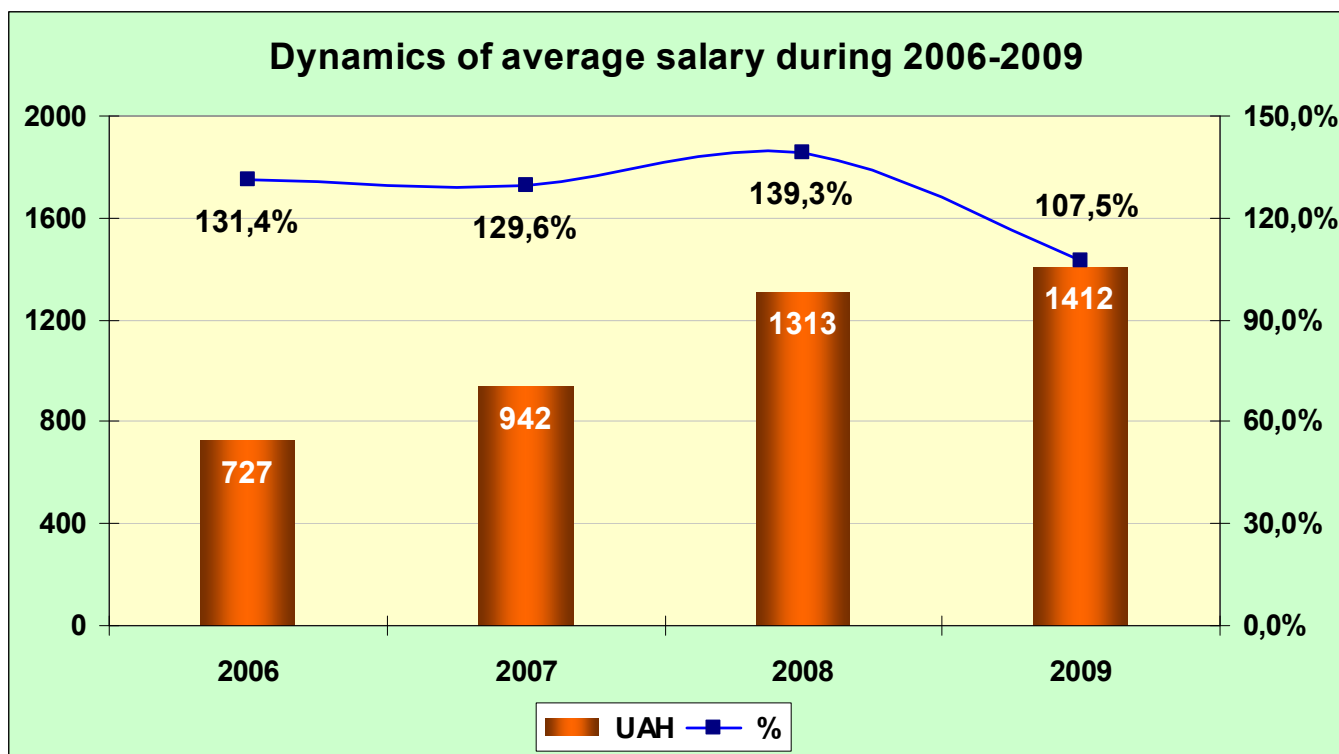
POPULATION: SALARIES AND LABOUR MARKET

The potential of the regional labour resources is considerably high and makes over 540 thousands of persons that may be required by potential investors.



Taking into account qualification of unoccupied population, implementation of investment projects both in cities and in rural areas can allow the investors cutting expenses on staff training.

Steady development of the regional economy also allows increasing salaries at proper rates. In 2009 year salary increase reached almost 7.5%, comparing to 2008 year. The tendency was observed mainly in industrial, transport and construction sectors, also state administration.



Fixed unemployment rate as of January 1st 2010 was recorded as 2.3%.

During 2009 year due to assistance of the regional job centre 23 thousands of unoccupied population were employed on various vacancies.

TOURISM AND LEISURE

Tourism and leisure industries are certainly amongst the priority ones in the region. In its potential there are 308 nature sights, 18 parks – monuments of garden art, 89 wildlife preserves, more than 4000 historical, archaeological and architecture sights, 2 state and 1 national historical and architectural preserves, 200 000 hectare of landscape territories.

The region is situated on crossroads of high density motorways and practically in the centre of Western Ukraine; therefore facilitating motorways with wayside service establishments in fact is very promising.

The hotel business is steadily growing. In the region there operate 63 hotels and motels with the total capacity of 2100 places, 22 leisure centres (bases of rest, camps, resorts) and 5 sanatoriums with 1100 places.

There are more than hundred speleology objects throughout Ternopil region. The Mlynky, Ozerna, Uryn and Optymistychna caves are at speleology tourists' service. The latter is the largest one in Europe, it is also the largest cave among the world gypsum caves and the second one among the world lime caves with total length of 214km.

Kryshtaleva cave called Podillya Underground Pearl is perfect for popular tourism. The total length of its lit corridors is 2800km.

Approximately 15% of total area of the region is of recreational importance. The main nature sights are Tovtry Mountain-Ridge, Kremenets Mountains, Dnister Canyon, karst caves.

Building of the “Zbarazh” tourist and leisure complex is proceeding in Zbarazh district. Implementation of the “Volyn” Historical and Culture Project that is intended to become one of the most attractive tourist and leisure areas is carried in Lanivtsi district.

EDUCATION

Ternopil region is one of the leading educational centers of Ukraine. Ternopil city is developed educational and scientific centre that has already been recognized in some directions nationwide. Scientific and educational potential of the region is associated with Ternopil National Economic University, Ternopil State I. Pulyuy Technical University, Ternopil National V. Hnatyuk Pedagogical University, and Ternopil I. Y. Horbachevskyy Medical University.

Overall there are 27 higher educational institutions with different forms of ownership active in the region, 4 branches and subdivisions of the similar educational institutions located in other cities of Ukraine holding 57.5 thousands students, 226 doctors of science and almost 1443 candidates of science.

Within the regional institutions of higher educations a considerable amount of international students, mainly from Middle East, Africa and Asia have an opportunity to take a degree course on general medicine, dentistry, pharmaceutics, and also international economy and computer technologies.

The region has a good network of educational-occupational establishments. There are 24 state occupational and technical educational institutions and two branches including one centre of occupational and technical education, 7 occupational colleges, 4 occupational lyceums, 10 occupational and technical schools and 2 learning centers.

In addition, there are a number of 1 educational institutions suggesting a choice of retraining programs as well as programs for raising the level of one's managerial and professional skill.

CULTURE

In the region there are 923 cultural establishments of clubbing type, 926 libraries, 27 museums, 8 of which have regional status, 53 specialized primary art schools, two academic theatres: T. H. Shevchenko Regional Drama Theatre and Puppet Theatre, Regional Philharmonic House, Ternopil S. Krushelnytska Musical College, Terebovlya College of Culture, Regional Methodical Centre of Folk Arts.

The following events take place in the region on yearly basis: BAYDA Nationwide Cossack Song Festival, Shevchenko Literature and Art Event “In the New and Free Family”, COLOURS OF EMBROIDERY Nationwide National Embroidery and Costume Festival, LEMKY BELLS Nationwide Lemky Festival.

PRESERVATION OF NATURAL ENVIRONMENT

In the regional center implemented separate collection of waste by type for further processing and disposal.

The network of nature reserve fund is growing in the region at the expense of nature complexes rich in biological and landscape variety. Two national nature parks are scheduled for setting up. Those are Dnister Canyon and Kremenets Mountains.

The forests in the region have an important ground and riverbank-protective role, they also have recreational value. Over 35 000 hectares of forests are located in soil erosion areas and perform protective function. The biggest cities are surrounded by green zones of over 32 200 of hectares being cities' 'lungs'. Forest shelter belts are very important for elimination of air pollution caused by transport and they are arranged along railways and highways.

More than 2 000 hectare of forests had been reproduced in the region during 2009. The wooded area occupies 14% of the region.

The wildlife preserve of the region includes of 543 territories and objects with the total area of 116 500 hectares (8.4% of the whole region). Among them there are the state wildlife preserve of "Medobory", regional landscape parks of "Zagrebellya" and "Zarvanitsya", 89 wildlife preserves, 308 nature sights, 4 protected tracts, 3 botanic gardens, 9 arboretums, 1 zoological and botanic garden and 18 landscape architecture parks.

The vegetation of the Ternopil region includes quite a few endemic and relict types. The relict ones include several kinds of sedge (*Carex*), cowberry (*Vaccinium vitis-idaea*), horsetail (*Equisetum*), lathyrus (*Lathyrus*), spurge (*Euphorbia*), saw grass (*Cladium mariscus*), ephedra (*Ephedra*), stemless carline thistle (*Carlina acaulis*).

Endemic types include clary (*Salvia sclarea*), fescue grass (*Festuca*), (*Helianthemum Adans*), thyme (*Thymus vulgaris*), (*Poa* L.) and others.

Many plants in Ternopil region today are almost distinct and listed in the "Red Book of Ukraine". Those are stipa, small pasque flower (*Pulsatilla pratensis*), orchis (*Orchis militaris*), (*Allium montanum*), adonis (*Lychnis*), masterwort (*Peucedanum ostruthium*), (*Leucojum vernum* L), lily of the valley (*Convallaria majalis*), bladder nut (*Staphylea*), turk's cap lily (*Lilium martagon*), periwinkle (*Vinca minor*), lady's slipper orchid (*Cypripedium calceolus*), stemless carline thistle (*Carlina acaulis*), (*Anacamptis puramidalis*), lesser butterfly-orchid (*Platanthera bifolia*).

Ternopil Regional State Administration

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