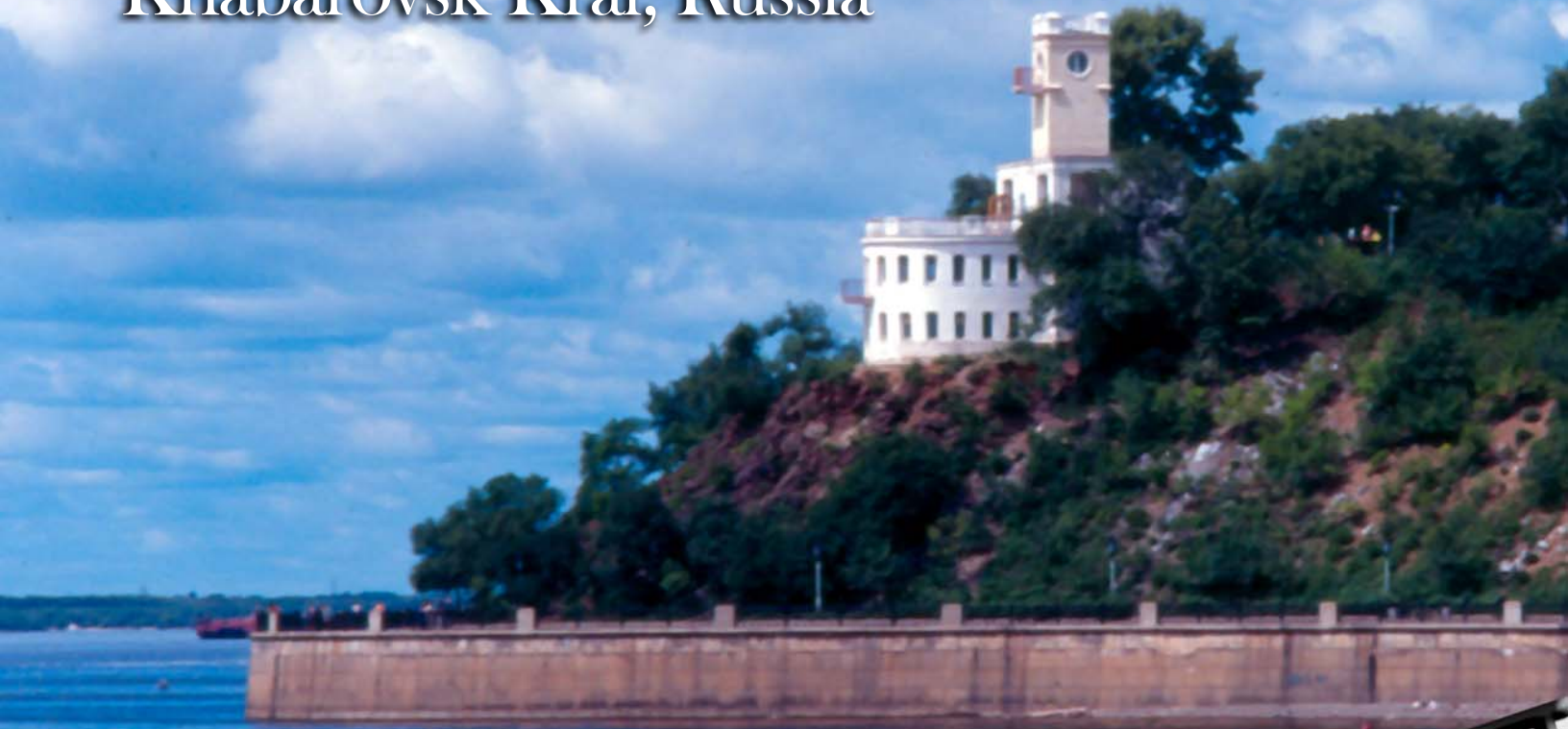


Natural Resource Based Economic Development Project in the Nanaiski Raion of Khabarovsk Krai, Russia



EXECUTIVE SUMMARY

This final report tells the story of the Natural Resource Based Economic Development Project in the Nanaiski District of Khabarovsk State, Russia.

The CIDA/McGregor contribution agreement commenced in March 1999 as a \$3.48 million, four-year project designed to assist rural people with transition to a market economy.

The Nanaiski District encompasses 22,000 square kilometres, and is situated approximately 200 kilometres north of Khabarovsk, the capital city of Khabarovsk state. The population of the district is about 20,000 and about 25 percent are indigenous Nanai and Udegei.

The economy of the District is dominated by the forest industry, and the main source of income was the export of raw logs to China with little diversification beyond that. At the project outset the unemployment rate was about 30 percent; however, including under-employed and those not receiving salaries, this figure rose to about 60 percent. In some villages unemployment was effectively 100 percent with people living at bare subsistence levels in a barter economy.

The **project goal** was to increase the region's capacity to identify and respond to market opportunities within its natural resource sector by increasing the skills of key business and government specialists and through the creation of new economic opportunities within the resource sector.

The **project objective** was to improve the management, quality of output, range of goods and services, and market reach, through the creation of new enterprises and through the improvement of existing enterprises. This was to be accomplished through the provision of technical assistance in the areas of business planning, financial management, human resource management training, marketing planning and strategic partnering between Canadian, Russian and international organizations.

The project was organized into components including:

- Development of value-added wood processing capacity to the region;
- Development of non-wood forest products enterprises (including business training);
- Development of a regional tourism strategy, infrastructure, and enterprises;
- Development of commercial projects between Canadian and Russian indigenous peoples;
- Creation of specially protected areas; and
- Replication of successful projects to other areas of Khabarovsk state and Russia.



The project had heavy participation by First Nations and women.

Component Outcomes

The **Value-added Wood Products** component achieved its original objectives. Two entirely new wood processing enterprises were started and each achieved success in marketing their products locally. These businesses are now capable of manufacturing lumber, beds, tables, chairs, stools and workbenches; wood framed thermal windows, doors; kitchen cabinets, stairs, and flooring as well as complete wood-framed and round-log buildings.

Employment in the respective villages was significantly enhanced. Eight people achieved direct full time jobs making housing components and furniture, and sixteen people have part time jobs in housing. Seasonal logging jobs were supplemented by these opportunities and people became employed year-round. As well, the companies found significant potential for wood frame and round log building construction as entirely new industries in the Russian Far East.

A total of 29 people were trained in value-added wood processing; several of them in multiple aspects of the trade. Eleven were trained in lumber making and drying, 9 were trained in wood-framed house construction, and 5 were trained in round-log construction. Sixteen were trained in house component construction, and 7 were trained in greenwood furniture making.

The positive long-term impacts of the Value-added Wood Products component may prove to be substantial. The state administration has significant interest in developing Canadian-style wood frame detached housing as an alternative to the crumbling concrete apartments. They believe this will create domestic employment, and better housing will discourage emigration from the Russian Far East. Their interest stems largely from the example set by the CIDA project—building wood framed structures using local materials and labour.

The **Non-wood Forest Products** component also achieved the original intended objectives of the project. Basic business training was offered to a broad cross section of the community. A large number of people of diverse age, ethnicity, gender and educational background took advantage of the entrepreneurial development training. Markets were expanded, production was increased, numerous improvements in processing occurred, and several new business lines were initiated.



197 First Nations people received training through this project.

A total of 219 people were formally trained in entrepreneurial development. At the basic level, 190 people were trained; and in the advanced level, 61 people were trained. As well, 243 people also took advantage of business counselling provided by the project instructors. This had a profound effect in building trust within the business community. Twenty-three businesses were started as a result of entrepreneurial training.

The Non-wood Forest Products team created a lasting legacy embodied in the Entrepreneurial Development Fund and its well-trained director. The fund was set up to act as a non-government organization responsible for on-going economic development training and facilitation in the district.

The original **Tourism** component objectives included data collection on current regional tourist trends, pursuing in-bound western business travellers, and add-on tour packages. These strategies did not prove to be a viable unto themselves. Instead, emphasis was placed on identifying and participating with the growing number of tourism providers; and influencing state administration officials at key strategic policy levels.

Substantial success was achieved with both of these strategies through modifying approaches and policies. Experiences gained by state officials through exposure to tourism methods and approaches in British Columbia became foundational to their approach in the Khabarovsk Krai. They now understand the importance of tourism associations, collective advertising strategies, and service-oriented operating methods. The tourism administration has shifted to more a more mainstream

perspective in tourism management, and this has improved their relationship with the private sector. Tourism is now considered a legitimate and important industry by the state leaders.

Exposure of state officials to BC homestay infrastructure increased acceptance of this segment of the tourism economy. Homestays are now regarded as an important foundation for tourism development, lessening the need for larger-scale accommodation infrastructure, especially outside of Khabarovsk. Success in changing policy attitudes towards homestays will have a lasting and wide-spread impact at both the district and state levels.

Outfitting and guiding has been positively reinforced with the advent of high-value international hunting opportunities as a direct result of the project's training and marketing efforts. Of all identified tourism sub-components, the project's development of hunting has been of most direct economic impact at the raion level.

Identification and support of enterprises engaged in the establishment of Amur River cruise tourism has been effective both directly and indirectly at the krai and raion levels, including the initiation of First Nations bazaars at cruise stops.

A total of 22 people were formally trained in tourism and 31 were trained in homestay operations.



The **First Nations** component's original goal of developing a Nanai smoked salmon business for export to North America was not feasible due to failing salmon runs. As well, the only species normally available is chum salmon, which is generally considered of low quality by Westerners.

While the objective of creating business relationships between the Nanai and the Lheidli T'enneh did not result in significant economic ties, there was a substantial impact on the Nanai through training made available by the project.

A total of 197 First Nations people were trained by this project. Approximately 60 percent were women. These trainees became better employees, and approximately 10 percent will go on to start businesses.



The clear, cold waters of the Anyuiski River provide important salmon habitat.

Nine community-based First Nations businesses, in 6 different villages were established as a result of the training and business consultation assistance provided by the Entrepreneurial Development Fund. These businesses included indigenous arts and crafts, farming, retail, bee keeping, fishing, baking, forestry, and logging.

As well, 173 people were trained in arts and crafts revitalization and production efforts. Nineteen seminars devoted to the traditional art of First Nations people sparked an increased interest in business in the villages. This was an important opportunity for many young First Nations people to receive cultural education about the traditions of their ancestors. Several are looking toward businesses related to First Nations arts and crafts.

Many existing artists gained an understanding of marketing and were able to increase sales into larger centres, and a few even internationally.

The CIDA project also helped to establish the Troitskoe Museum as an informal cultural centre that became a place for meetings, cultural exchange and master classes for First Nations arts and crafts.

National Park objectives were heavily dependent on the designated area actually becoming established as a national park. However, this was beyond project control and did not occur during the project term. Notwithstanding the lack of national park status, important work was completed.

A park management plan, tourism study and traditional use study were important contributions to the area and helped to set expectations for park establishment. Russians using Canadian methodology completed these projects. This methodology will help form a basis for further studies of this type in the Russian Far East.

Local citizens are now much more aware of the ecological significance of this area due to park proposal development activities, educational projects, video preparation, and other communications activities.

As well, the general public is now much more aware of the significance of the area to the indigenous people due to the traditional use study. Understanding and acceptance of the First Nations relationships with the land has been furthered by the project.

Creation of the Entrepreneurial Development Fund in the fourth year of the project contributed greatly to the **Replication** objective of creating regional training capacity. The fund is operated by Nanaiski District community and business leaders and supports ongoing entrepreneurial training efforts by its Development Officer. It has had considerable success providing business planning training, marketing analysis, proposal writing services, and bank loan application assistance.

Significant efforts attempting to inspire Canadian business people to become involved in the Russian Far East were made, however success in making direct connections was limited. Some importing of Russian hardwoods was completed and the parties are now pursuing further trade. Other trade connections were related to the use of Canadian sap tapping equipment for birch juice and mist generators for fur oil. First Nations crafts have been imported to BC on a small scale. Most noteworthy is that Russians were very interested in obtaining Canadian wood processing technology and Canadian wood frame housing technology.

In the project's final year, representatives of the College of New Caledonia, and University of Northern BC assisted McGregor Model Forest to analyze project successes and challenges and developed concepts for replication of project successes to other parts of Khabarovsk. Proposals were submitted to CIDA.

In summary, the project trained a total of 522 people and accumulated more than 3,700 person days of training. Within that number 203 First Nations people were trained, constituting 39 percent of the total. 316 women were trained and they made up 60 percent of the total. 132 were unemployed at the time they were trained.

During the project, from 1999 to 2004, the official number of unemployed people in the district dropped by 8.6 percent. The number of self-employed people rose by 9.5 percent.

The methods of employment statistic calculation changed during the term of the project. These figures use the currently accepted methods and differ significantly from estimates cited earlier. There is general agreement that employment has improved.

Elizaveta Telushkina, Deputy of the Khabarovsk State Economic Department said that this was the only aid project that went to the villages and created very practical results. Mr. Alexander Kurochkin, Governor of the Nanaiski District, stated that the project had a direct positive affect on hundreds of people, but more importantly it had caused a "mentality change" that had given the community hope. The community changed from being passive observers at the start, to being enthusiastic supporters by the end of the project. The training provided by the project introduced fundamental business understanding to a broad spectrum of the community and started the transformation to a more diverse and stable economy.

In spring 2004, Mr. Kurochkin was awarded a national-level medal for development work in the Nanaiski District. It is probable that the CIDA project was a factor in the award.



A national medal was awarded to Alexander Kurochkin for services in development of the Nanaiski District.