

Russia Country Report 2002/2003

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Preface

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The second phase of IGES Forest Conservation Project, launched in April 2001, has carried out research activities to promote measures to facilitate participatory forest management. The targeted countries and area for this phase were Indonesia, Laos and the Russian Far East.

The aim of this interim country report is to disseminate the results of the activities from the second fiscal year of the second phase, on the Russian Far East, and to provide the basis for discussions on developing guidelines and recommendations for participatory forest management.

Under the former USSR, local people were separated from forest management, and this structure has continued until now. It is generally accepted that to achieve sustainable forest management, participatory approaches should be introduced. However, so far, virtually no research on the social and economic structure of the community and no attitude surveys of community people toward forest management have been conducted. Also, preservation and development of the rights for the traditional use of indigenous minority peoples are one of the important issues for public participation in forest management in Russia. In this sense, this year's study is quite innovative and we believe it provides the basis for discussion to make recommendations for participatory management in this region.

Any comments or suggestions would be highly welcome; please send the by post, facsimile, or e-mail to the following contact person:

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Developing a Forest Conservation Strategy for the Russian Far East.

The research interim report for the second year study

Far Eastern Division of Russian Academy of Sciences

ECONOMIC RESEARCH INSTITUTE

Contents: Introduction. 1. Implementation of international agreements relating to environment and forest. 2. Current state of the forest industry. 3. Small business survey. 4. Community survey. Conclusion.

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Introduction

The present report has been compiled from the researches results obtained in second year of the Project "Developing a Strategy for Forest Conservation in the Russian Far East", executed on the basis of an agreement between the Economic Research Institute of the Far Eastern Division of Russian Academy of Sciences and Forest Conservation Project of the Institute for Global Environmental Strategies. The researches for the 2002 financial year was conducted from July 2002 to January 2003, and has been executed on the basis of the Implementation Plan for Cooperation as a continuation of the researches of 2001, with particular emphasis on local population participation in forests management.

As before, a two pronged approach was adopted in the researches: international approach and local one. Researches of international approach were mainly targeted at interrelations of forest industry units and communities as well as examination of the units' ability to accomplish forestry operations. Researches of local approach has concentrated on examination of those communities selected in 2001 – the Sita and Sukpai settlements. A questionnaire was developed for questioning residents; it was conducted in both settlements as well as in Lazo raion as a whole. The survey results were discussed on 27th November 2002 at the meeting of Sita residents. As in 2001, researches on local approach were executed in close

contact with Lazo raion administration.

Two sittings of the Steering Committee were conducted:

April 9, 2002. The Steering Committee was reported the 2001 financial year researches results, which were discussed and approved by members of the Committee;

August 15, 2002. The Steering Committee considered the researches plan for 2002 financial year, discussed international approach to forests preservation and a project of residents' questionnaire survey.

In connection with official shifts of the Steering committee, individual members some changes took place in it and for the moment of compiling the report, the Committee was composed as following:

Acad. Minakir, Pavel A., Chairman, ERI,
Dr. Kakizawa, Hiroaki, Deputy Chairman, IGES,
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The report has been compiled by the Russian side of the project. Two maps are attached to it:

- The map of specifically protected natural territories of Lazo raion. <P 41>
- The map of Khabarovskiy krai forest resources. <P 43>

1. Implementation of international agreements relating to the environment and forests

Russian Federation has signed in 1992 the Agreement of CIS on cooperation in the sphere of ecology and environment protection, bilateral agreements on nature protection with 28 states as well as acknowledged 18 international conventions. Among these international agreements, the following relate directly or indirectly to use and preservation of RFE forests:

- UN Frame Convention on climate change (1992);
- ECE UN Convention on evaluation of influence on environment in trans-border aspect (1997);
- Convention on international trade in endangered species of wild fauna and flora (CITES);
- Convention on Biological Diversity;
- Convention on water-wetlands areas of international significance, mainly quality of water fowl sites (Ramsar Convention);
- Convention on migrating wildlife species protection (Bonn convention);
- Convention on the world cultural and nature heritage.

All of them are in various extents reflected in the Russian Federation system of laws on natural environment protection and natural resource use. Dominating in that system is the RF Constitution, which asserts the following:

- Inexhaustible, rational use and protection of the whole complex of natural resources and thrifty treatment of natural resources as the basis of existence and activities of Russia citizens (Clauses 9 and 58);
- Realization of the citizens' right to a favorable environment (Clause 42);
- Encouragement of activities promoting ecological and sanitary-epidemiological safety of the population (Clause 41);
- Distribution of reliable information on the state of the environment and the prevention of concealment by officials of facts and circumstances, which may pose a threat for life, and health of the people (Clauses 29, 41 and 42);
- Prevention and restriction of those activities of land and other natural resources owners, which impact on the environment and contravene rights of citizens for

favorable environment (Clauses 36 and 42);

- The state guarantees to redress damages caused to citizens' health and property brought about by ecological disturbances (Clauses 42 and 53);
- Protection of primordial environment and traditional way of living of small ethnic communities (Clauses 71 and 72).

Above the RF Constitution, forming and implementation of RF ecological policy is provided by 18 legislative acts, among which 16 relate directly or indirectly to use and preservation of RFE forests:

- RF Civil code (1995);
- RF Criminal code (1996);
- RF Water code (1996);
- RF Forest code (1997);
- RF Land Code (2002);
- RF Law "On natural environment protection" (2001);
- RF Law "On specifically protected natural territories" (1993);
- RF Law "On ecological examination" (1995);
- RF Law "On fauna" (1995);
- RF Law "On basics of the state regulation of social-economic development of the Russian Federation North" (1996);
- RF Law "On industry safety" (1997);
- RF Law "On production and consumption wastes" (1999);
- RF Law "On the state secret" (1995);
- RF Law "On information, informatization and information protection" (1995);
- RF President's decree "Basic regulations of the RF state strategy on environment protection and sustainable development provision" (1994);
- RF President's decree "On concept of Russian Federation transition to sustainable development" (1996);
- RF President's decree "On concept of Russian Federation national safety" (2000).

All of these laws include regulations conforming to Russia international covenants, though naturally without direct citing them. For instance, clause 3 of the RF Forest Code runs that "Commonly acknowledged principles and norms of international law, international covenants of the Russian Federation in the sphere of protection, use and regeneration of forests are constituents of the Russian Federation legal system. The Russian Federation international covenants are applied to terms arising in the sphere of protection, use and regeneration directly, excluding those cases where application of an international covenant demands adoption of an intrastate legal act. If an international covenant of the Russian Federation includes some rules differing from those which are foreseen by the given Code, rules of international covenant are applied."

The clause 54 of the same Code is devoted to the main demands of forestry operations and includes a point of necessity of biodiversity preservation as well as of

objects of historical-cultural and natural heritage.

Thus, the legal basis of Russian natural resource use as a whole and forests use in particular, provides appropriate observance to international conventions and agreements. As much as this legislation is observed as much these agreements are implemented. However, direct reference or acknowledgements to them in everyday practice of forest use participants are absent. More than that, according to our experience, the prevailing majority of real participants of forest issues is not even aware of these international instruments.

2. Current state of forest industry

2.1. Current state of the forest business in Lazo raion

Under the researches program conducted last year, a number of forest business representatives of Lazo raion were surveyed. The special questionnaire was developed for this (Appendix 1). However, in connection with the fact that questioning was accomplished only by the end of the financial year, its processing and analysis was not carried out under the previous research period and so the result was not included into the last year's report. That is why the given section includes the analysis of the result of questionnaire survey. Though the result analyzed here are naturally based on only those received from the businessmen, who agreed to fill the questionnaire in, they are nonetheless represent majority of enterprise activity in the raion. At the same time, many of respondents didn't answer the questions, which were relating to financing and even to specific features of the production, i.e. to those parameters which determine taxation.

The questionnaire has revealed the social portrait of a raion forest businessman. This is a man in the second half of his able-bodied age, on average 47 years of age, with fluctuations from 30 to 60 years. In almost all cases, he has received higher education, and in 79 percent of the cases married. About two thirds (66%) of his income are related with forests, but more than a half (58%) of forest businessmen have also other sources of income.

The average age of the enterprises at the time of questioning made up 6 years with fluctuations from 1 to 13 years. The overwhelming majority of the enterprises, 87 percent of those who responded, were established anew and only 13 percent having originated on the basis of privatized old enterprises. The organizing-legal structure of the enterprises are highly differentiated (Fig. 3.1), prevailing are stock companies with limited liability (42%). The second place (21%) is taken by individual private enterprises and the third (11%) – by private enterprises. These latter two types are typical for small business.

Sources for investment for forest business are various: internal means of the owners, means of shareholders, means of large firms and even of public organizations. The share of the respondents who did not answer the question, is high – 37 percent.

More than two thirds of entrepreneurs (79%) lease out forest plots, and 32 percent have also short term felling operations, i.e. some businessmen have both types of use. The average year to get a leased out plot – 3 years ago, the average leased out area – 44,700. ha (with fluctuations from 8.0 to 370,000 ha), the average exploitable stock of a plot – 1,538,600. m³, the average size of allowable annual cut – 54,700. m³, the average lease time term – 32 years (with fluctuations from 5 to 49 years). Average area of the plots of short term use – 55.7 ha with an exploitable stock 2,000 m³, all of which should be removed during a single year.

In 2000, an average volume of timber harvested from leased out plots – 13,000 m³ (with fluctuations from 0.3 to 115,000 m³) and on short-term use plot– 6,700. m³, i.e. only around half the volume harvested from leased out plots.

The average payment for the forest resource use under leased contracts stood at 29.25 rubles/m³, whereas under short term use contracts was 15.49 rubles/m³. With an average exchange rate of 27.9 rubles/US\$ in 2000, these values are the equivalent of US\$1.05 and US\$0.56, respectively, per 1 m³ of harvested wood. In relation to such issues one can pay attention that:

- 40 percent of lease holders and 33 percent of entrepreneurs with rights on short term use, did not provide information on payments amount;
- Payments for short term use were half those for lease, although they have to be twice and more higher.

On average, each responded enterprises paid, when getting right to use, 40,500sand rubles (US\$1,500) for issuance of that right, 58,700sand rubles (US\$2,100) for the project development and 95,500sand rubles (US\$3,400) in the form of payments to meet the various social needs of residents.

With respect to the type of the final product being produced, 40 percent of responded enterprises produce industrial timber, 20 percent – firewood for residents, 33 percent – sawn timber and 7 percent (one enter-prise) – fir oil.

Only one entrepreneur has pointed out, that he acquires timber for processing in Komsomolskiy raion of Khabarovskiy krai. The answer on the timber price was not given. The rest of the entrepreneurs use only local timber sourced from entirely natural forest. The average species composition of harvested and acquired timber as well as their prices are given in Table 3.1. And here again, with willingness to show the structure of harvested timber, only one respondent provided data on its prices.

Respondents were much more open with their answers on the trade value of the manufactured products (79% responded) and its profitability (63% responded), as presented in table 3.2. Profitability of all the production types, mentioned in the respondents' answers, is sufficiently high. In 1999, profitability of round logs was approximately twice as high as that of sawn timber, and in 2000 that gap had decreased. Profitability in firewood, which is traditionally considered loss making, was also

sufficient (20–25%).

The main outlays in production costs were payment for labor and transport – 24 percent for each, energy, fuel and lubricants – 21 percent.

The enterprises were found to be poorly equipped, with the average amount of their fixed assets totaling 1,030,500sand rubles (US\$36,935), and moreover, the index of assets is in great extent raised at the expense of purchasing of expensive forest felling complexes by "Rimbunan Hijau". The poorest equipped enterprise has assets only of 16,000 rubles (US\$573). The largest portion of the fixed assets (73%) is accounted for by machinery and equipment, i.e. enterprises are not burdened with buildings and constructions, including roads. The largest part of the equipment (37%) is acquired from private firms, with further 27 percent directly from machinery building plants and bankrupt lespromkhозes, 9 percent are leased out. The share of respondents not providing answer to this question is very high (8 out of 19) and that is possibly caused by the attempt to hide sources of acquisition.

The average extent of machines and equipment wear and tear is high – 80 percent. A total of 7 enterprises claimed they utilize from 75 to 100 percent of their available facilities, 6 of them from 25 to 50 percent, 4 of them from 51 to 75 percent, and 1 – less than 25 percent. One enterprise did not answer this question. In average one enterprise invested into production in 1999 42.2 million rubles (US\$1.5 millions) and in 2000 – 8.8 million rubles (US\$0.3 millions). Funds required for additional acquisition of machinery and equipment averaged 2.5 million rubles (US\$89,700sands) per enterprise. 18 responded enterprises together expressed the need to acquire 28 logging trucks, 14 tractors, 10 skidders, 6 loaders, 5 bulldozers, 3 forest felling complexes, 2 sets of equipment for wood processing, 1 wood sawing set and 1 bus.

Of responded enterprises, 59 percent sold their production directly to customers, 24 percent to dealers and 17 percent to both. Among the trade addresses, 37 percent fall on China, 26 percent in Khabarovsk city, 11 percent on Lazo raion and Khabarovskiy raion and further 5 percent in Japan, Republic of Korea and Khabarovskiy krai (the last – without specifying the place).

The average number of staff at any single enterprise is 83 persons, with fluctuations from 5 to 833. The average monthly salary in 2001 was 3,549 rubles (US\$127), which is higher than the average for Khabarovskiy krai. Local residents make up 83 percent of employees and there is no difference in their salaries as compare to the rest of the staff.

In their responses, 53 percent of the entrepreneurs described the financial state of their business as uncertain, and the rest 47 percent – as stable. No one considered their business to be close to bankruptcy. In evaluating market for their products, 63 percent of responded entrepreneurs considered it to be stable, 25 percent to be in deficit, 12 percent the market was oversaturated.

In evaluation of degree of change in the quality of raw material over the last 5 years, two thirds of the respondents pointed out that it has worsened and one third – no changes happened. Not a single respondent asserted there had been an improvement. Among the causes behind this worsening, 45 percent cited rotting, drying out and aging of the trees, 33 percent referred turning forests into secondary ones, 22 percent referred forests species composition change, including increase of fir share.

The main sources of market information for entrepreneurs were personal contacts (62% of responds). Then follows personal market analysis (26%), periodicals and Internet sources (11%), purchasing or getting free reviews executed by independent organizations (11%).

Special question on knowledge on forest products certification were positively answered by only 26 percent of respondents. They are who wanted to go through with certification.

Conclusive were the questions on prospective for proper business development: 53 percent of entrepreneurs have regarded as uncertain, 42 percent – as favorable, 5 percent (one respondent) – as unfavorable.

Among the problems hampering business, the followings issues were regarded as being of critical value: high credits rates; high taxes; lack of circulating assets; deficit of funds for development; increase in prices for energy, raw materials and stock; administrative barriers; and insufficient legislative base.

The following problems were regarded as being average importance: shortage of qualified staff; excessive control and checking; lack of information.

The followings were regarded as being of low importance: unfair allocation of resources; high credit debt; difficulties with raw material acquisition; difficulties with equipment acquisition; marketing difficulties; racket danger; lack of professional experience of the managing personnel; insufficient working experience of the enterprise personnel in market conditions.

Unscrupulous competition and prices beating down were regarded as not important problem.

Thus, an analysis of the responses provide clear picture of difficult but relatively stable business situation and relying for development forest business of the raion. The enterprises surveyed consists of heterogeneous mixture of small, medium-sized and large (on measures of forest complex) enterprises, provided with qualified managers and personnel.

2.2. Relations between forest industry and population of Lazo raion: the current situation

In the course of the whole period of the raion forest resources development, up until the onset of economic reforms (early 1990th), forest harvesting and wood-processing enterprises formed, as a rule, the primary foundation of towns and villages. Settlements were established mainly in the zones of those enterprises (Sita, Sukpai, Dolmi, Baza Drofa and other). At the expense of the enterprises profit deductions as well as of direct state

investments, units of infrastructure were established to meet social and daily needs of forest laborers: these included living houses, schools, daycares, hospitals and so on.

Local able-bodied residents were mainly employed within the forest enterprises or at their servicing units. For example, in the late 1980s industrial-production staff of the seven main enterprises of forest and woodworking industry in Lazo raion constituted 11.2 percent of all raion residents or 24.7 percent of the population employed in economy.

However, with the beginning of the reform period and change in ownership, many enterprises closed, and others were split into a great number of small enterprises. Consequently, there was a decrease in the number of staff employed. Late in 2000, the forest complex employed 2,000 people, equivalent to only 3.5 percent of the raion population or 11.5 percent of employed in economy. Investments into the social services decreased sharply. After all, it was transferred to municipal property. However, municipal units appeared not to be completely ready to support the social sphere of the towns and villages within the raion: first, the municipal units had no means for its maintenance, second, there was neither the material base nor qualified personnel (electricians, plumbers, mechanics) to provide social service. Furthermore, most of the social infrastructures were severely worn out at the moment of their transfer to the municipal ownership.

That's why the krai administration made a decision that forest users should participate in support of social infrastructure of the raion, where the leased out plot was located, at the time of allocation of forest fund into use, as a compulsory condition. This is regulated by agreements, concluded between the forest user and the raion administration, for the maintenance of social infrastructure. These agreements oblige all the forest users, both leaseholders and those working on short-term use, to provide services for the maintenance of social infrastructures of raions and municipal units, as well as to support certain categories of local residents.

However, in many cases, forest users -- particularly those involved in short-term use or those in harvesting operations of intermediate use, terminate the conclusion of such agreements with the raion administration. Evasion is furthered by leskhозes which reporting to the raion administration on harvesting of the forest fund, do not show all the forest users.

The Lazo raion administration tries to influence the leaseholders. Every three months it conducts meetings – attended by heads of rural municipal formations (RMF), representatives of the federal tax inspection in Lazo raion, officials of the ecology department and the prosecutor's office – to discuss the results of the activities of the last quarter. The wide aspect of issues are checked: low prices for marketed wood, which could prove to be concealing profits; breaches in forest harvesting technologies, which resulted in adverse environment impact; taxes and charges debts, and other. In case that the enterprise fails

to meet its requirements and shows no sign of rectifying the situation, the raion Administration can apply to the krai commission on forest use to cancel the lease. In case of short-term forest users, their activities can be cancelled by the administration itself, until the revealed breaking of requirement is resolved. For instance, based on the raion administration petition, LLC¹ "BMK" and LLC "Asia Lesprom" were deprived of their rights to lease plots of forest fund by the krai commission.

Once a year heads of the enterprises report on meeting conditions of the lease agreements, in particular on providing social support to the raion population. The raion administration makes the decisions according to the results of the reports.

In fact, only those enterprises that have agreements for a forest fund lease provide regular social support to the local population. The heads of the enterprises, who have invested many means in their development of business, understand that their future to a great extent depends on good relations with authorities, and hence the raion administration rarely has to resort to compulsion. Quite often the support of those enterprises exceeds that envisaged by the agreement.

The most vivid example of an enterprise's support for a towns and villages population is the re-equipment of an abandoned boiler building in Marusino village into a sports hall for children at the expense of LLC "Glen". Since this sports hall was established, a local children-teenagers organization named "Glen" has been set up, i.e. the cooperation between a forest user and the RMF administration will proceed.

There are other examples of such cooperation. OSC² "Dallesstroy" has provided capital maintenance and reconstruction of a hospital in Bichevaya village. OSC "Khorskiy DOK (wood processing combinat)" up to present time supports sports complex and sanatorium-prophylaxis unit in Khor town, which provide leisure and treatment facilities for all raion residents and in the summer period host children from the entire krai.

Interaction between the RMF and enterprises of forest complex over issues which require large investments, is realized via the raion administration. For example, in the summer of 2002 there arose difficulties with road maintenance in the stretches between Dolmi and Solontsovyy and between Sidima and Sukpai. Heavy logging machines for forest harvest had destroyed the road in the limits of Sidima settlement. It was decided at the meeting of the enterprises managers, with participation of the First Deputy of the Raion Head on economical issues, that the road should be repaired with participation of the enterprises which use the road. All relevant enterprises paid their share and the road was fixed. The course of the activities was controlled by the manager of the Sidima RMF, and the raion administration guided activities. Through a similar approach, the road between Dolmi and

¹ Limited liability company.

² Open shareholders company

Solontsoviy was fixed.

There are no specific form of contacts between population, firms and enterprises. The population cannot directly voice their demands to enterprises of the forest sector. All the pretensions are addressed to RMFs or the raion administration. If the claims are insignificant (such as provision of material support for organizing holidays and other small services for the population), or if it has already been brought about by the lease agreement, either the RMF itself or the raion Head (as a guarantor of the population rights and a manager of budgetary funds) must take responsibility. In all other cases, solving of problems has to be found by negotiations of empowered structures with the firms.

In the practice of the raion administration activities, there were cases to make decisions, forcing firms to implement some social orders, when critical situation arose. Thus in 2000, there turned out in Mukhen settlement a critical situation with houses heating. The boiler, which ran on pulp chips from Mukhen wood processing plant, had fuel shortage after the closure of the combinat and practically came to a halt. The population of the settlement protested by blocking the logging road to attract attention to their demands. To settle the situation the raion administration took the responsibility and decided to redirect compulsory all the wood loaded-trucks to the boiler to supply timber as firewood. The resolution was issued, police posts were appointed, and the settlement was saved from freezing. Later in 2001, the boiler was reconstructed at the expense of administration and forest harvesters' funds; it was transferred for coal.

Forest users support mainly those settlements in areas where they have bases, and partially to those nearby. Communities of agricultural laborers practically do not get such support. In wintertime, agricultural enterprises carry out logging on their own. Forest fund is assigned to them as defined under clause 43 of the RF Forest Code, i.e. on preferential terms. Practically every large agricultural enterprise has its own power-saw bench, where they produce sawn timber for the community needs.

The attitude of local population towards forest enterprises is not simple. The fact, that these enterprises in some cases provide the only source of employment, is regarded positively. However, because these are private unit and people have to work for an owner, they are quite often perceived negatively. This could be explained in the following way. During the period of initial capital accumulation, many unscrupulous entrepreneurs who have come to the forest for the business generate enormous debts, not only within their budget system but also in terms of their employees' salaries. The Lazo raion administration has received many such claims from employees of such enterprises. Quite often, people were completely deprived of their rights, because in many cases employers did not sign employment contracts when hiring people to work for them, taking advantage of employees' trustfulness and juridical incompetence and sometimes even forcing their terms. That is why former

employees of such an enterprise couldn't even appeal to a court to levy their earned money from the employer.

Although increasingly more and more civilized entrepreneurs are coming to establish the business in the forest, the confidence of local population has already been undermined.

The result of questionnaire survey (see sections below) have shown that 42 percent of the raion population expect forest firms to generate new jobs, 35 percent expect development of social sphere of the settlements, 16 percent expect support for housing-communal system and 7 percent of people would like firms to establish joint ventures with local communities (Fig. 2.1).

Local populations are alienated from forest sector enterprises managing. Majority of the enterprises are established by private promoters, and hence in such units everything depends on the owner's will. Currently, even in old large enterprises such as Khor wood processing plant, there are no such organizations as trade unions and collective contracts are not signed; this is a breach of labour legislation. Some enterprises, such as LLC "RosDV", LLC "Vesna", provide favorable social conditions for their employees; however, at some enterprises there is nothing except a small watch cabin. Furthermore there are still cases where enterprise hire employees without contracts. There have been repeated complaints over labor conditions and payments voiced by labourers of LLC "Rimbunan Hijau". Such conflicts have to be solved by administration officials or even by a deputy of the krai Legislative Duma. Although the RF Labour Code (2001) stipulates signed employment contracts and collective agreements to be mandatory, nobody is held responsible when these provisions was not realized, and moreover, it is practically impossible to exert complete administrative control over all enterprises.

Another problem is illegal logging operations. On the background of some examples published by the mass media, the population has got the impression that up to 80 percent of wood is harvested in illegal logging operations. This increases the negative perception people have for forest business.

The indigenous minority nations are supported only by so-called national-producers' communities because of isolation and remoteness of their residence. These communities usually hide small private enterprises, formed by most representatives individuals within the community. The national-producers' communities support the residents with firewood, provide the diesel electric station of the national settlement Gvasyugi with fuel and lubricants, lumber for houses maintenance. The school and daycare are completely financed from the raion budget. The national-producers' communities are low-powered, only the community "Buli" has got a plot of forest fund for lease, and it has its own power-saw bench. The national community LLC "TSO Ude" was established only in 2001 and currently it is intended to go in hunting and organizing of tourist-ethnographic center, and also in logging operations on the short term basis. It

provides some support to local school.

Beyond the limits of Lazo raion, it is expedient to regard an example of the relations between a large forest firm, "Terneyles" (Primorskiy krai) and local population, because this is now the best forest firm of the Russian Far East (RFE). In addition, this example is characteristic of the conditions experienced when a population is almost completely dependent on the behavior of a single firm. Most of the activities of "Terneyles" are concentrated within Terneyskiy raion, in the settlement Plastun. The Terneyskiy raion is relatively closed-loop and estranged from the rest of Primorskiy krai territory and hence the mobility of population and labourers in the area is very complicated.

The town of Plastun was established as a production base and sea-port for forest enterprise. Practically there are no jobs available in the town except for those offered by "Terneyles" or its related servicing firms. The average monthly salary of workers at "Terneyles" in 1999 was 4,295 rubles (US\$177), - the average salary in Terneyskiy raion was 2,351 rubles (US\$97) and the average throughout the krai was 1,818 rubles (US\$75). Thus, the salary at "Terneyles" enterprises exceeded the average for the raion 1.8 times, and the average for the krai 2.4 times. Naturally, most of the population within the raion strives to get jobs with "Terneyles"; this in turn determines in many aspects the interrelations between the two: "Terneyles" requires labour for its continuously expanding production and this is basically supplied by the raion population

"Terneyles" supports the entire infrastructure of Plastun town as well as that of a number of other small villages in the raion. The services it provide include a boiler in Plastun, which runs on fuel chips produced by "Terneyles" thus electricity supply in the settlement and of the enterprises itself is centralized. "Terneyles" supports purposefully schools, daycare centers and hospitals within Plastun and other raion communities. Up until 1999, it sponsored between 20–25 teenage children of the employees to study at higher institutions or universities in Vladivostok and Khabarovsk. However, in 2000 the "Terneyles" administration cancelled this program on the grounds that its revised goal was to provide for high-level earnings, while the emphasizing that parents should strive to earn for their children's education. There exist also programs on professional training of youth directly at the enterprise. There is also a special system of up bringing and promoting young specialists coming to "Terneyles" after graduating from universities.

Thus, in this case, there is a well-established and sufficiently standardized role sharing that the employer taking care of his business stability, with the population supplying employees.

Another relationship were formed between "Terneyles" and udege population in the watershed of the Samarga river-most of them live in the village of Agzu. In 2000 the Primorskiy krai administration has transferred a significant portion of the watershed forests to

"Terneyles" lease. The Agzu community started protesting against the decision, believing that the krai administration should have secured their prior consent.

In response, "Terneyles" declared 2-years moratorium for harvesting in the watershed forest, supposing that during that time they should undertake a complex examination and development of the technical project. There was made a corresponding order, executed by the Far Eastern Forestry Research Institute and a number of other scientific-research institutes. By the moment of the given report compilation, the conflict remained unsolved. In 2002 some representatives of the village community Agzu, supported by the NGOs BROK (Vladivostok) and "Ecodal" (Khabarovsk), brought a suit against the krai Administration decision to court, aiming to annul the "Terneyles" lease agreement. Though the court of first instance rejected the suit, the plaintiffs brought the appeal to the krai court. The krai court rejected the appeal and now the new appeal brought to the Russian Supreme Court.

In summary, the relationship between local population and firms remain complex. Unfortunately, there is insufficient experience of conflict resolution and not enough attention is given to this issue from the side of three central participants: administration, firms, and communities.

2.3. Ability of enterprises to undertake of forestry operation

In spite of several reorganizations, the division between forest management and forest industry is strictly preserved in the Russian forest sector. Forest management includes protection, use and regeneration of forests and is implemented by the state bodies known as leskhозes. The RF Forest code (Russian Federation, 1997) prohibits them to carry out harvesting.

Forest industry is made up of commercial enterprises, which are managed as private units, although a number of them, the state (Federation or krai) has its share of property.

The development concept of forest management of the Russian Federation for 2003–2010 maintains this division between forest management and forest industry for medium-term prospective (RF Government, 2003).

Based on this division, all the main silvicultural measures are implemented by leskhозes and they need to have corresponding qualified staff, machines, and equipment to do this task. Unfortunately, in reality, all of these prerequisite components are lacking. This situation has arisen for many reasons, but the most serious of them is that 80–90 percent of forestry financing should be delivered from the federal budget and the remainder should be earned by leskhозes themselves. In reality, the federal budget currently covers only 20 percent of the Khabarovskiy krai leskhозes costs. The rest of the means are earned by leskhозes, mainly at the expense of timber harvesting activities conducted as intermediate felling operations. It causes the situation that felling operations, targeted at removing of non-market wood, turn into a

chase for market timber, and hence, into a measure aggravating forests condition. This perverts the whole idea of silvicultural activities.

The principle of dividing the tasks of silviculture and forest harvesting is not implemented consistently. Clause 94 of the RF Forest code (Russian Federation, 1997) places the responsibilities for protection of forests from fires upon forest users. That is, users have to develop plans for fire prevention measures in agreement with leskhозes - on the basis of requirements stipulated by the federal organ of forestry management- and implement them. It is also mandatory for them to have primary means for fire control, the list and amount of which are determined by a leskhоз.

Clause 83 of the Code also states that forest users must carry out fire prevention measures within their plots and, in case of a fire breaking out, take appropriate action to extinguishing it; simultaneously dispose of harvesting wastes at logging sites as they carrying out harvesting operations; execute reforestation measures; restore the initial state of lands on forest fund sites allocated to them at their own expense; and implement reforestation measures at their own expense where harvesting activities have resulted in undergrowth demolishing or woody vegetation and shrubs ruining. Clause 90 emphasizes that the terms and conditions of all such activities should be defined in a lease agreement, a concession agreement, a logging ticket, an order or a forest ticket. It means that requirements above mentioned relates not only to a leaseholder but also to forest users, working on a short term basis.

As a result of these clauses, the Khabarovskiy krai commission on forest use institute the following mandatory requirements throughout the complete term of the contract, from the time the lease is signed:

- To make full and rational use of the entire volume of timber harvested, including hardwood.
- To provide development of forest resources according designed AAC and terms.
- To use the felling machinery that has been ecologically tested.
- To remove the total volume of timber from the upper yards.
- To design a plan of harvesting organization and forestry management during the first year, to obtain positive results of the ecological expertise and to receive the plan approval in a compliance with the current legislative order.
- To carry out forest road construction and to take part in development of infrastructure within area of forest activity.
- To implement reforestation and fire prevention measures, and silvicultural activities in concordance with annually prescribed norms.
- To purchase all required fire control mechanisms and machinery.
- To observe fire control and harvesting regulations.
- To have fixed assets required to undertake and com-

plete all elements of the logging processes.

Practically none of the forest harvesting enterprises has specialists as well specialized machinery for implementing silvicultural activities. Such large enterprises as "Rimbunan Hijau" or "Ros-DV" have got the simplest tools for fire control (shovels, axes, hitches and so on), others don't even have these tools.

A number of enterprises participate in intermediate felling operations. They strive to do so in the hope of harvesting highly valuable species, such as ash, oak, and linden. Certainly, in this case the silvicultural operations turned into an industrial one. As has been mentioned above, felling operations of intermediate use, carried out both by leskhозes and leaseholders (treatment and sanitation cuttings), are actually not functioned as to forest stands shaping and to regulate their productivity, but become an illicit mean of harvesting marketable timber for profit. Carried out in this way, treatment cutting, ordinary an instrument of forest stands shaping, does not, and cannot provide significant positive influence upon the forest dynamics.

During the year 2000, in Lazo raion, new forests were planted in the area of 912 hectares, treatment cuttings covered 3,399 hectares and harvested 57,900. m³ (Table 2.1). According special contracts issued by Khorskiy and Sukpaiskiy leskhозes, leasers carried out 25 percent of these forest plantings; 3.6 percent of the total area subjected to treatment cuttings; 5.7 percent of total volume of timber harvested originated from treatment cutting. Share of Lazo raion in the total krai amount made up 7.1 percent of tree planting, 13.3 percent of treatment cutting area, 12.6 percent of timber harvested by intermediate cuttings. In other words, the intensity of silvicultural impact on Lazo raion forests is higher than on krai forests in average.

The condition of forest plots is also influenced by methods and technologies of logging operations used by logging enterprises. This will be determined by the techniques available to the enterprise. Majority of the enterprises, in particular of small and average size, use technology based on felling trees by saws powered by benzene motors and their removing by skidding tractors. With lack of proper organization of operations at cutting sites, such technique cause almost complete destruction of forest undergrowth and considerable disturbance to ground cover, which in turn provokes the risk of soil erosion. Only large enterprises are in a position to be able to purchase processing machines of Timber Jack type. In Lazo raion, such a company would be "Rimbunan Hijau".

Though it has been pointed out many times before, it is perhaps worth repeating the fact again, that all the enterprises, in spite of various normative-legal deeds, use felling operations aimed at removing from the forests only the best sorts of wood. In the first instance, export sawtimber of the 1st and 2nd grade is harvested, being competitive at the world market, first of all at Japanese one. These assortments make up on average only 30–35

percent of the total volume of merchantable (about a quarter of the whole) timber. A significant portion of the lower grade sawtimber, pulpwood, small diameters trees and firewood (together accounting for 35–40 percent of merchantable wood) are left at the logging sites.

Specifically insufficiently are used original resources with so-called assortment technology, which is based on bucking of felled trees directly in the forest and removing already bucked logs. Thus low quality trees as well as low quality parts of otherwise high-grade trees are left behind in the forest. This constitutes 28–30 percent of merchantable raw material. Practically all the enterprises employ processing technique like this.

Thus high grading logging operations are used without permissions, leading obviously not only to depletion, but also to robbery of the forest resource base, and resulted its speedy deterioration. Practically destruction of high-quality forest resources takes place.

Forest harvesters believe that it is not profitable to extract low quality wood, specifically if the distance of over which logs must be transported exceeds 100 km, as in the case for most forest harvesters acting at Sukpai. Thus, immediate economical interests of forest users contradict with forest use rules, as well as concepts of rational utilization of the available raw material and the social interests of the local population.

Only amelioration of technological discipline, selection of proper depreciation policy and application of its results for production development, as well as upgrading of labor organization and enterprise management will allow for an increase in labor productivity at felling operations and so restore order within the forests.

According to the existing provisions, leskhoze representatives should check all the logging sites after a forest user has completed its felling operations. Specifically, they should check that the requirements stated in the logging ticket have been met, and present the findings in a document (act). In case that any of the requirements have been breached, forest harvesters incur penalties. Formally all that is fulfilled, but in fact the documents of the logging sites checking are filled with inauthentic information and as a result the forest users pay only small fines, the amounts of which are agreed preliminary by forest users and forest guards. This is not a new phenomenon, but rather a continuation of something that has been in practice since before the reforms were introduced.

The situation has not changed even with additional control from the side of ecological services, which are currently significantly weakened and only able to carry out checks very rarely. Moreover, the ecological services, currently direct their limited forces to tackle illegal logging operations, are virtually unable to pay attention to the quality of otherwise legal activities in the forest.

2.4. Tracking system

This section is included in the report exclusively at the request of Japanese partners, because the complete pro-

cedure with listing all the required documents, from the initial efforts made for sell timber , up to the moment timber crosses border, are described in details in section 1.5 of the report published last year. Since at that time, no significant changes have taken place.

Thus, the official documents which at the present time are effective in the chain of custody from “logging site to final customer” are as follows:

1. Permissive documents for timber harvesting are logging ticket or order- allowing the bearer to carry out a felling operation and at the same time certifying that those felling operations are legal. These are issued individually for every logging site and forest user may commence felling operation only after getting such a document. The forms for the logging ticket are strictly numbered and protected against falsification.
2. A consignment note- certifying a consignor and a destination point. These are issued by a forest user to the person accompanying the cargo (a shipping agent).
3. An invoice - based on this document, shipping and payment is carried out. The invoice is a document of an internal goods turnover between a seller and a buyer and is also submitted to a bank in case of clearing as well as to a treasury house if one of the business participants has state status.
4. Customs declaration- in cases of timber is shipped abroad. This should be accompanied by a contract of purchase to check by custom officers to ascertain the reality of declared prices and the legality of the bargain.

All the rest of additional documents, that have at other times been used in Khabarovskiy and Primorskiy krais to certify origin of timber, have been cancelled by the krai procurators' offices since they are not stipulated under norms-legal acts of Russian Federation.

The current situation with regard to illegal logging once again confirms the conclusion, which was made many times, that the effective control over felling volumes and their legality can be carried out only at the forest, at the logging sites. Even if it were possible to introduce some additional documents, the underlying problems would remain unsolved because of a number of absolutely insurmountable reasons. Major reason is the total high corruption and criminalization. It is impossible to establish order only within the forestry sector until society itself is transformed into judicial one, and the economy is reformed into law-abiding one.

No even additional patrols and unannounced investigations can help ameliorate such situation. These simply act as warning system to the violators . For example, in early January of 2003 in Lazovskoye lesnichestvo of Khorskiy leskhоз, a complex patrol using helicopters discovered about ten sites of illegal logging that were organized by residents of Dolmi and Bichevaya villages. Two timber lorries were impounded and 350 m³ of illegal hardwood, some chainsaws and tractors were confiscated.

The damage was estimated of 10 million rubles (US\$31,700), and the information relating to the operation was published in the main krai newspaper (Savchenko, 2003). It raise some social-politic effect although real effect is paltry especially taking into account huge costs for patrol implementation equal to real damage. Attempts to increase number of controlling documents and to strengthen document control are futile given the prevailing conditions of high corruption and large-scale, high quality falsification of documents.

As a more effective countermeasure, a system of continuous monitoring based on computer network data in combination with continuous scanning of small-scale satellite images could be suggested. This is arranged as a set of technically possible means of action, it is not regarded as being achievable in the near future because of the following limitations:

- 1) Impossibility to link up all the leskhозes to a unified computer network, especially as lesnichestvos of RFE;
- 2) Necessity of large investments to purchase computer technology, mass training of staff, establishment of new bodies to control the network, and so on.

It would be much cheaper to reconstruct the forest guard system, to implement radical measures to eliminate corrupt member of staff, and increase its monetary and material provision.

3. Small business survey

3.1 The current state of small forest business in Khabarovskiy krai

Development of small business is one of the priority trends of state policy at national economic development. Currently, it counts about a million of small enterprises in Russia, 15 percent of which are in the industrial sector.

The main criterion of classifying an enterprise as a small one, is that the total number of employees is in the range of 30 to 100 persons.

The legislative basis of small business is established in Russia: a number of laws, codes articles and departmental normative documents are adopted. The main document is the federal law "On the state support of small entrepreneurship in the Russian Federation" (Russian Federation, 1995). On the basis of this piece of legislation, the "Federal program of the state support of small entrepreneurship in the Russian Federation for 2000-2001" (RF Government, 2000) was developed and approved by the Government of the Russian Federation.

The small business in Khabarovskiy krai can be said, at present time, it had arisen as the sector of the economy but it is not promoted fully and it demands a strong support. The small business covers practically all sectors of the krai economy. Under the aggregate ownership structure of krai small enterprises, about 50 percent of the authorized capital lies with commercial organizations, 47 percent with private promoters, and 3 percent with ex-

ecutive power organs.

The principle legislative acts regulating relations in the sphere of small business in the krai, is the Law of Khabarovskiy krai # 8 of February 29, 1996 "On small-scale entrepreneurship in Khabarovskiy krai" and its amendments dated June 7, 2001. On the basis of this law, two krai target programs were developed for the development and support of small business for 1997–1998 and for 1999–2000 respectively. At the present time, new program is active for the period 2001–2003, as approved by the Head of the Khabarovskiy krai Administration (Khabarovskiy krai administration, 2000).

In 2001, there were a total of 550 enterprises operating in the forest industry sector of the krai, 70 percent of which, according to the number of employees, were regarded as small business (Khabarovskiy Committee, 2002). In 2001 the total volume of removed timber in the krai as a whole was 5,971,000 m³, an increased of 8.9 percent from 2000. Of this total, the volume of removal by small enterprises was 1,262,000 m³ (21 percent of removal volume for krai), 9.5 percent increase from previous year. The gain of small enterprises made up 18 percent in the total volume of the gain from forest produce realization. The forest sector of the krai employs about 19,000 people, of which 4,400 people (22.6%) work in small business.

Currently it is complicated to define development prospects of small business in the forest sector in Khabarovskiy krai. Small enterprises with harvest small volumes, lack sufficient proper means for development, are unable to purchase and use new technology, build roads and crossings, and competently develop their marketing policy.

In an analysis of averaged structure of production costs of logging enterprises in the krai, the single highest expense (49%) is that of maintaining and utilizing equipment, transportation of loggers and maintenance of forest roads. And with that, share of costs of small enterprises (with volume of timber harvesting up to 30,000 m³ per year) for maintenance and exploitation of forest felling and timber hauling technique is higher by 7–10 percent than of large ones (with volume higher 100,000 m³), and share of salary is lower by 7–10 percent. That is, it is significantly more difficult for small enterprises to maintain technique, roads and qualified workforce than it is for larger business.

In Khabarovskiy krai forest sector as a whole, total assets in 2001 were equivalent to 92,600 rubles per capita, while same index for small enterprises equaled 59,600 rubles per capita, i.e. 1,6 times lower. Similarly, the average labour productivity for the industry as a whole was 374,000 rubles per capita, whereas that of small enterprises was 299,000 rubles per capita. The profitability of forest harvesting was on average 25.1 whereas that of small enterprises was 18.6 percent. However, whilst the forest industry as a whole paid in taxes an average of 46,900sand rubles per one employee, small enterprises paid 32,800 rubles.

Investments are required for cardinal re-equipment of enterprises, but it is hard to get them for the forest industry. A share of investments into the forest industries represent 2.5 percent of the total volume of investments to the krai industry in 2000 as 2.5 and in 2001– 2.2 percent.

Further analysis of small business activities in the forest sector is present below in the form of case studies focusing on two raions – Nanaiskiy and Lazo.

3.2. Current state of small forest business in Lazo raion

At the beginning of transition period, many small enterprises were established spontaneously in Lazo raion. They were very poorly organized; even failed properly keep the official and financial documentation. For example, the accountant reports of some small enterprises recorded nothing but information related to credit indebtedness on salary. Two thirds of registered enterprises, including forestry ones, though were established, didn't work.. Currently, many are being liquidated following petitioning by the taxation office.

The first small business enterprises in Lazo raion appeared in the form of cooperatives, which were engaged mainly in agricultural production and construction. Out of 23 cooperatives registered before 1993, only two ("Tayozhniy" and "Sever") were engaged in forest felling. In addition, industrial-constructional cooperative "Progress" (Sita town), though initially engaged in agricultural production and extracted wood in treatment cuttings for its interior needs(?), later developed into a purely forest harvesting and sawmilling.

Seven enterprises were registered in forest business in the form of partnerships with limited liability (LLP), and three of them as hunting business. One of these, LLP "Utyos" , was established by the known tiger trapper and still exists as a center for wildlife rehabilitation and ecological tourism. To provide the animals it rehabilitates with forage, the enterprise has agricultural plots.

With the introduction of the RF Civil Code, all the enterprises, regardless of their legal structure, reregistered themselves as companies with limited liability (LLC). Currently, this is the most common status and is particularly popular amongst small business. LLC can be established by a single person whose direct participation in the enterprise's activities is not a legal requirement.

By the end of 2002, there were 87 enterprises engaged in forest business registered in Lazo raion , 61 of which were small businesses. In fact, however, only 14 small enterprises are implementing their activities. An additional 7 small forest businesses not registered in raion were also active there.

There are also three municipal enterprises registered as forest business in the raion. The municipality managed to allocate some forest lots for them on favorable conditions. However, the gain from harvested timber was not regarded as the business income and was often used as the private income of the enterprise managers themselves. Accordingly, such enterprises have been unable to gen-

erate sufficient level of earnings and had no funds for technical improvement. That's why two enterprises have gone bankrupt, and a third is on the verge of bankruptcy.

Distribution of the forest sector enterprises throughout the territory of the raion reflects is given in Table 3.3. The highest number of them are concentrated in those settlements, where, following the bankruptcy of large state enterprises, there remained significant engineering potential (Khor, Sukpai), or where there remained production objects (in some cases just empty buildings), roads, and so on. (Novostroika, Khor, Dolmi).

In 2001, small forest enterprises employed 40.6 percent of all workforce of the forest industry and this figure is growing constantly- in 2001 it increased by 4.2 percent from 2000. The total volume of timber harvested by small enterprises increased over the same period by 9,200. m³ or 8.6 percent; and corresponding with this trend, volume of commercial production increased as much as 2.4 times. This is evidence of the fact that small business are gradually learning to manage profitable operations and diversify its business (Table 3.4).

The table 3.4 shows that woodworking at small enterprises is also gradually developing. Only in the year from 2000 to 2001 lumber production by small enterprises increased almost as much as 4 times. To give the specific example for this, production of carpentry items from valuable timber species by the LLC "Service" has witnessed successfully development, with its volume of production increasing as much as three times from 2000 to 2001. New types of products are manufactured (such as knife-cut veneer and others), new lines and shops for lumber production are installed. Currently, enterprises of small business are competing well with large enterprises in sawmilling, because they have managed to efficiently acquire modern equipment and are producing lumber of higher quality of. It is therefore likely that small business will continue to develop.

The relationship between small and large enterprises are rather complicated, specifically with regards to the flow of raw materials and processing. At the krai level, there exists a quota system for all the timber harvesting enterprises, which requires that 30 percent of harvested timber must be processed either by the harvesting enterprise itself or to be transferred to another enterprises for processing. There are developed schemes of attachment of round logs delivering enterprises. For example, in Lazo raion, the main enterprise, to which all the enterprises that lack their own processing facilities must deliver all the harvested timber for processing , is Khorskiy wood working complex (WWC).

The large processing enterprises are experiencing shortage of raw material. The raion administration has obliged all the enterprises by its decision to deliver up to 30 percent of harvested timber for processing to Khorskiy WWC. However, the WWC beat down the prices for grades and volumes of timber and paid very irregularly to suppliers. This situation caused small enterprises to develop their own processing facilities at time , which co-

incided with introduction of krai government policy advocating an increase in the level of harvested timber that is processed.

Actually, almost all small and large enterprises remain disconnected. Although a krai association of small forest harvesting enterprises was established, it is not functioning, formally because no one was willing to cover costs for its maintenance and in fact because it didn't provide any help to its members.

With regards to the observation of ecological standards, small business enterprises are more careful than large ones, because it is easier for ecological services to control smaller enterprise and to halt their activities, despite. claims by ecologists are similar for everybody.

Furthermore, enterprises working on a short term basis are more conscientious taxpayers than are larger enterprises with forest lease, because they understand that, if taxes are not paid, they will not be able to secure new forest plots for use in future.

The interrelations between local populations and small businesses does not vary significantly throughout krai and raion. A good example of a partnership between small business, local population and the RMF is the activities of LLC "Looch". This enterprise was established by single promoter and, it is not strong and is not able to purchase forest lots at an auction or to lease it out. That is why LLC "Looch" signed an agreement with Sukpai RMF for the maintenance of housing and communal facilities in the settlement. Consequently, forest plots are allocated to the LLC on favorable conditions in accordance with clause 43 of the RF Forest Code. The price difference between the value of timber at auction and the price determined by the clause 43, forms a contribution towards the maintenance of housing and communal facilities in the settlement. The cooperation is now in its second year.

Barriers to the development of forest business that are listed in the previous section are applicable for small businesses from the point of view of the businessmen themselves. According to the raion administration, these barriers for small forest business are evaluated as follows:

1. Inaccessibility of credits. Practically all small enterprises are unable to get credit from banks because they often lack the required mortgage and trustworthy warranty. Such a problem occurred, for example, with the LLC "Khorskiy forest industry company", which despite attempts to obtain credit to purchase equipment for a sawmilling shop was not authorized to do so because the entrepreneur had no mortgage.
2. Policy of Khabarovskiy krai Ministry of Natural Resources in relation to small enterprises. The Ministry implements policy which forces enterprises with harvest volumes lower than 30,000 m³ out of business. The Ministry fairly supposes that small enterprises are unable to build roads or control fires. Above that, the Ministry required that all

forest lots for short term use must be transferred on competitive basis by auctions, in conformance with clause 43 of the RF Forest Code. But it is difficult for small enterprises to compete on an equal footing at auctions with larger and experienced enterprises. Such a situation can be regarded as a violation of the principles of antimonopoly legislation, and cancel of any opportunity for small businesses to penetrate into forest harvesting. Hence individual entrepreneurs (without a legal person establishing we have such the most easy but legitimate form for small business) are not engaged in forest harvesting operations, but they started to build their own business in the sphere of sawmilling.

3. Unstable legal basis of enterprises activities. For example, the entrepreneurs are made indignant by continuous transfer of enterprises registration functions from some organs to other. Initially, enterprises were registered with the raion administrations. However, the federal government decided this work had not been carried out with sufficient stringency and transferred registration authority to the krai management of justice (registration chambers). As from 2002, registration authority were transferred to the tax office. In addition, currently active enterprises have been told that they should reregister themselves again, all of which requires time and money. Given that the manager's signature must be notarized and that there is only one notary for the whole of Lazo raion, this procedure has created problem.

3.3. Development of small forest businesses in Nanaiskiy raion – international cooperation

Harvesting and processing of timber and non-timber forest products, as well as harvesting and processing of fish are the main industries of Nanaiskiy raion. The forest sector accounts for 92 percent of the total volume of production manufactured within the raion.

In 2001, the volume of timber harvested in the raion was 253,000 m³ (an increase of 6.8 percent from the previous year), though enterprises officially registered within raion harvested only 162,500 m³ (64.2%), the remainder having been harvested by felling operations are carried out by the enterprises registered other than the raion. There are 21 enterprises registered in the raion as intending to undertake forest felling operations and of these 20 enterprises have average staff numbers less than one hundred persons and are classed as small business. In practice, only nine small enterprises are currently engaged in timber harvesting. They have leased out forest plots with summary annual harvest volume of 197,000 m³. One other small forest enterprise—LLC "Phytontsid"—is involved in forest felling and is registered in Lazo raion, though its primary activities are in Nanaiskiy raion (see Section 3.4).

Timber resources base of Nanaiskiy raion is dispersed and consists of small forest lots. This fact doesn't allow

establishing large enterprises with volumes of harvesting over 30,000 m³ per year. For this reason in raion still in future there will develop just small forest enterprises.

The primary forest harvesting enterprises are located in settlement of Mayak, Duboviy Mys and Lidoga. To a large extent, this distribution is related to the activities in those settlements of former lespromkhозes – Sindinskiy, Gassinskiy, and Troitskiy. The average time of existence of small enterprises working in forest business is 6 years. The main types of products are round logs and sawn timber.

Besides harvesting, the small business enterprises in the raion are also involved in logging operations of intermediate use. In 2001 the volume of timber removed from the forest by small business enterprises in Nanaiskiy raion totaled 101,500. m³, a quarter of which was obtained from logging operations of intermediate use. Small businesses share in the total volume of timber removal in the raion accounted for 40.1 percent in 2001.

The small forest business of the raion is represented also by the wood-working enterprise LLC “LidogaTrading”. In 2001 the enterprise staff numbered 84 persons. It produces 30 percent of the lumber manufactured in Khabarovskiy krai and 90 percent of that in Nanaiskiy raion.

In total, small forest businesses in the raion employed 488 persons in 2001, accounting for 68 percent of the workforce employed in forestry sector of the raion, and 11 percent of the workforce employed in small businesses in the krai as a whole.

In 2001, small enterprises accounted for 60.6 percent (that is, 87.5 million rubles) of the total value of forest products in Nanaiskiy raion. Production is mainly in the form of round logs and sawn timber, which together make up 92.4 percent of the total value; of this, round logs account for 71.8 percent (62.9 million rubles) and sawn timber 20.5 percent (17.9 million rubles).

The profit earned by small forest enterprises in the raion accounts for only 34.9 percent or 8.3 million rubles of that earned by the forestry sector as a whole. Of the total revenue collected by the municipal formation budget from the forestry sector, 66.7 percent was derived from small businesses. During the last two years, not a single small forest business has suffered bankruptcy. On the whole, the situation of these enterprises is fairly stable.

Participation of small forest enterprises in social development of the raion is effected via lease contracts for forest plots, in which the requirement for such participation is stipulated. The commonest elements of such agreements are: the creation of additional employment (including those for representatives of the indigenous minority nation of the North); reinforcement of social infrastructure; maintenance of settlements; provision of fire wood for the social service and for the population in general; and the delivery of round logs and sawn timber to meet the needs of the social sphere.

Besides wood harvesting, non-timber forest products are also harvested in Nanaiskiy raion – e.g. Arctic leek,

ferns, birch sap, nuts, mushrooms, and berries (viburnum, cowberry, blueberry). Harvesting and processing of non-timber products is effected by the trading enterprise of the raion consumers' society “Nanaiskoye raipo”, which is a member of the Far East Association on non-timber forest products use. Procurement is effected by the own forces of the enterprise and during the period of active harvesting is also purchased from the population.

In 2001, 89.9 tons of ferns, 26.7 tons of birch sap, 2.0 tons of berries were harvested. In 2002, the volume of ferns harvested was nearly half the amount taken the preceding year because of the temporary prohibition to visit forest in connection with forest fires, which coincided with the fern harvesting season. At the same time almost as much as 6 times increased the volume of berries harvesting – up to 11.8 tons.

The people living in the raion also harvest actively non-timber products both for their own consumption and for independent trading at market. Picking and selling mushrooms, berries, ferns and other non-timber forest products is the only source of income for many people. A questioning survey was carried out amongst the administration heads of the settlements Troitskoe, Dubovy Mys, Verkhnyaya Manoma, Dada, Innokentievka, Sinda and Arsenievo. According to the response, the raion population harvest up to 65 ton of mushrooms, to 30 ton of berries, to 15 ton of ferns annually. The volume that people harvest is limited by insufficiently developed network of enterprises, which buying wild forest vegetables for processing, a lack of initiative and basic business know-how of the local people, as well as problems associated with gaining capital or opportunities to get credit.

Historically traditional occupation of local population is hunting of wild animals. The hunting grounds of the raion make up an area of about 2,700,000 ha, including 1,943,000 ha (82%) which are attached to the national cooperative hunting unit “Troitskiy” a branch of “Nanaiskoe raipo”. Besides that, the hunting grounds are attached to several national small enterprises: LLC “Amur” – 307, LLC “Mani” – 23, ROO&R – 72, LLC “Udzhaki” – 38,000 ha. The remainders are the hunting grounds attached to various organizations of Khabarovsk city.

There are over 20 hunting species found on the hunting grounds of the raion, including sable, mink, squirrel, otter, brown bear, elk, red deer and others. In 2001, hunting organizations took 1,618 sable –, 2,145 squirrels, 128 mink, 495 Siberian, 194 raccoon, 13 brown bear, 8 Himalayan bear, 36 elk, 66 red deer, 25 roe deer, 24 musk deer in Nanaiskiy raion. In 2001, the hunting organizations rendered services for sports hunting to a sum of 272,200 rubles.

Current forest policy in the krai is targeted at increasing the volumes of wood undergoing mechanical processing and the introduction of chemical processing. This policy has been brought by the necessity to increase efficiency in forest resource utilization and has a direct

bearing on small forest businesses in Nanaiskiy raion. The prospective trend for woodworking in the raion is the establishment of wood processing center (WPC) based on the facilities at LLC "Lidoga-Trading", equipped with sawmilling, drying, and planing machineries. WPC can produce dried, surfaced, and jointed sawn materials, parquet boards, and panels. For this purpose it is necessary to install additional production lines for the end- and edgejointing of sawn materials. In doing so, the value of the finished product increases, and thus the transportation costs of ready-made items will decrease relatively to the price of rough sawn materials. Taking into account insufficient capacity of the inter-raion market for wood, caused by the limited scale of industrial and home construction within raion territory, the manufactured goods are likely to be delivered mainly to external market (Japan, China), as well as the krai market to a smaller extent.

It would be advantageous to encourage small woodworking companies, which, as a rule, equipped with only the most simple frame saws, to develop joint work with scheme with WPC on mutually beneficial conditions. Pretreated, possibly even unedged sawn timber produced by them, could be delivered to WPC for subsequent elaboration and finishing off.

Such a scheme would enable to establish in Nanaiskiy raion the forest industry junction with the center in Lidoga settlement. For its development and implementation, the joint participation of the krai government and raion administration would be required.

As to non-timber resources, ferns are offering the best prospects business development, with increases in harvest volumes and processing. This could be achieved through dry fern production, which keep nutrition in better condition and have preferable taste, and for it there is established demand in Japan. The technology required for fern drying was mastered by "Nanaiskoe raipo" in 2001. In 2002, the enterprise has also mastered the preparation of a vacuum packed finished product from non-timber resources.

Unlike in other raions in Khabarovskiy krai, in Nanaiskiy raion has secured systematic support of the Russian-Canadian project for the development of its small business. This has been implemented within the raion territory since 1999 under the title of "Development of the Nanaiskiy raion economy on the basis of natural resource use", and also known as "McGregor" project. The project completion is planned for March of 2003.

The project activities have been implemented via six themes, two of which are directly related to forest business:

- The development of non-timber products processing enterprises;
- The development of value-added wood processing enterprises.

The main participant companies involved in the wood processing enterprises development scheme are LLC

"Amur" (Sinda town) and LLC "Anyui" (Arsenievo village). The project goal was to train workers in various modes of woodworking and manufacturing of quality products from wood. This is anticipated to allow enterprises to extend the range of products they can produce as well as increase the quality of those they already produce, and to broaden the sphere of activities of participant enterprises both within Nanaiskiy raion and other area.

Throughout 2000-2001, managers and some workers were able to receive training by Canadian instructors directly at their enterprises as well as in Canada. The training was organized in such a way that with each successive course, instructors increased the complexity of woodworking and manufacturing techniques for the production of more labor-intensive and power-intensive products. Herewith, Canadian instructors recommended to Russian enterprise managers the most promising items for manufacturing.

In 2002, the enterprises managers expressed their wishes for training goals. For example, the director of LLC "Anyui" G.M. Oshlakov asked that his workers be trained to build round-logs houses. For this purposes an expert in log house construction was invited from Canada. During a two-weeks training course, workers received knowledge and experience on putting up round-logs houses. In Arsenievo village, a framework for a medical attendance house was erected. The "McGregor" project helped to provide financial support for LLC "Anyui" to purchase some sets of special instruments for round-log house construction.

In the field of utilization of non-timber forest products, the "McGregor" project is actively collaborating with "Nanaiskoe raipo". The project bought a set of special equipment for birch sap boxing (special drills, sockets, hoses, T-bends, buckets with press-on lids, and devices to control product quality) for the enterprise. In spring of 2002, workers at "Nanaiskoe raipo" began using the new equipment, bringing excellent results. Firstly, they were able to extract an additional 9 tons of birch sap than had been possible with the old technology. Secondly, the efficiency of the new technology meant that only 800 birch trees, as opposed to the 3-4,000 that were tapped with the conventional methods, had to be boxed, manifesting all adherent environmental benefits. Thirdly, the sap quality has been vastly increased, it contained less contaminating impurity that excluded sap filtration and increased sugar content. Prospective of production increase of birch sap requires the purchase of a modern vacuum package equipment. Doing so will increase opportunities for long-term sap storage and will expand the potential sap market. However, the enterprise has not secured investment to buy additional equipment, though enterprise leaders hope to find an interested investor.

In addition, the "McGregor" project is providing support for organizing the national park "Anyuiskiy", which is in the process of being established in Nanaiskiy raion. Because the park will be under federal ownership and

because the project deals only with municipal and private scheme, Macgregor's input is focusing on forming individual elements within the park infrastructure. In particular, the project gave financial support to the production of an introductory video which describes various features of the park, including its flora and fauna. The project has also supported on going competition to design the park logo which invites the participation of krai residents. LLC "Anyui", using the project experience and knowledge on construction of river boats, has built a boat on the means of "McGregor", which will be transferred to the park on a gratis basis.

One of the Canadian project managers made a trip along the Anyui River to consider opportunities for the development of aquatic tourism within the projected park. The trip resulted in revealing factors, which would limit opportunities of wide-scale attracting of tourists, in particular foreign ones, to implement river rafting envisaged in the project of the park organizing. A series of recommendations were handed to park officials, participating in park activities planning.

Another scheme established by the project in support of small forest business is the introduction of business relations between Canadian and Khabarovskiy krai entrepreneurs. This scheme is one of the most complicated elements of the project by many objective factors causing problems in establishing business partner relations. Firstly, there is the volume of negative information about Russia and its economy which is very often published by North-American media. Secondly, there is the geographical distance between Khabarovskiy krai and Canada, which causes rising of goods shipping prices between the countries. Thirdly, there is a lack of direct air flights, making travel for Canadian businessmen to RFE and RFE entrepreneurs to Canada very long, tiresome and expensive.

Nonetheless, the project organized a trip for four Russian businessmen to Prince George and Vancouver to familiarize themselves with Canadian enterprises engaged in wood-working. That trip resulted in the conclusion of the contract for delivering a test consignment of hardwood lumber to Canada. In the event that the deal proves profitable for both parties, the contract will be extended and could be a break-down to the Canadian timber market, in spite of the fact that Canada, same as Russia, is a forest power.

The Canadian party, in turn, plans to organize a trip for Canadian businessmen to Khabarovskiy krai to familiarize themselves with the Russian economic situation and potential business partners. This could in turn help stimulate broader economical cooperation between Russia and Canada the ultimate purpose of the project.

3.4. Case study on successful small forest business³ LLC "Phytontsid"

As an example of a successful small forest business in Nanaiskiy raion upon which to base a case study, the

small enterprise LLC "Phytontsid" was selected. The director of this enterprise is CHUGUEVSKIY Vladimir Alekseyevich, who was acknowledged as a winner of krai competition "The entrepreneur of the year" in 2001.

The LLC "Phytontsid" is registered in Lazo raion and its production facilities are located in Nanaiskiy raion, in the settlement of Duboviy Mys situated 56 km from the raion center, Troitskoe town. The settlement arose late during the 1960s, when Gassinskiy lespromkhоз was established. Its population totals 440 people, 42 of whom are representatives of indigenous minority peoples of the North. Currently three forest harvesting enterprises are located in the settlement, which employ local residents.

The LLC "Phytontsid" employs 56 citizens of Duboviy Mys settlement including 50 men. The enterprise holds a leases over a forest plot of 12,300. ha with exploitable timber stock of 1,271,800. m³ and lease period of 25 years. The timber resource base is situated in Verkhne-Khorskiy lesnichestvo of Sukpaiskiy leskhоз. A proportion of the timber is harvested in Nanaiskiy raion and some in Lazo raion. Forest felling operations are accomplished by a watch method⁴. Duration of the watch is 15 days, after which the labourers spend the next 15 days resting at home. The salary received from the enterprise are spent to purchase industrial goods and food commodities, to pay for various services in Duboviy Mys settlement, which support the trading and servicing sphere of the settlement. The average salary of qualified laborers on forest felling operations is 15,000 rubles per month (US\$472 according the exchange rate for the day of this report compiled).

Labor discipline within the enterprise are strictly regulated. The laborers care about their working places. This is promoted by favorable labor conditions, relatively high rate of pay and in time payment. Applying to get job at the enterprise are about 10 people per one vacancy.

The enterprise sells wood mainly as round logs to Japan and China. Sawn materials are produced in small volume, mainly for domestic consumption. Sawn materials are produced using hired equipment.

One of the main items produced at the enterprise is fir oil. The workshop for fir oil extraction is located in Duboviy Mys, and has a productivity of 2 tons of oil per year. The main requirements for the production of oil are an availability of green fir needles and clean flowing water (from mountainous rivers). The oil is packaged in Khabarovsk city and marketed via the krai trading network. Beyond this domestic consumption, the oil is also

⁴ The watch method is a system whereby logging teams go (by bus, helicopter, etc.) to remote areas for logging where they stay for a 10–15 days period. Usually they live in that area in wooden dormitories very close to logging sites. That area is known as 'vakhta' (watch). After completing the 10-15 days working period, they go back to their settlement and to their families for an equivalent period of time. The method increases labor productivity. However, despite allowing for efficient timber extraction, it neglects issues such as development of the worksite and road construction. In addition, it is responsible for many negative social effects, including degradation of family relationship and alcoholism etc.

³ The authors' study which forms the basis of this chapter includes interviews with businessmen

exported to South Korea for use in the perfumery industry.

The LLC "Phytontsid" and Nanaiskiy raion administration have concluded an agreement on the participation of the enterprise in the social sphere development. In concordance with this agreement, 300,000 rubles (US\$9,400) of sponsorship are assigned annually to support the social requirements of Dada village.

Laborers who have worked at the enterprise for over 5 years are given a stipend to pay for their children's study at universities. Currently there are three students receiving such grants.

The main and the most urgent problem for the enterprise is approaching deficit of regular labor force. Currently the dominating age of workers is 50–60 years. Though these people will soon retire, there is no perspective for replacing retiring staff. The young people are not interested in being trained to become worker with qualifications and to work in the settlement. They are more attracted to work in large cities and to work in trade, and a lot of them are pulled into the criminal sphere of the raion. To try and address such problem, LLC "Phytontsid" pays for young people to train in a professional technical school in Khabarovsk city.

Another serious problem is the complexity of overcoming the psychology of former soviet citizens, for whom a private entrepreneur always present a negative character. Under those conditions of a socialist system of economic management, all people had relatively equal income; people were accustomed to working only for the state. Presently it is difficult for many people to regard a private employer positively and to treat private property with respect.

LLC "Amur"

The LLC "Amur" is a small enterprise that was established in 1992. The director is DONKAN Yuri Vladimirovich, a representative of indigenous minority people of nanai. Both he and his wife act as promoters of the enterprise, and in this respect it is a family business.

Yu. V. Donkan's specialty is engineering and construction, he is university educated, initially he worked at a brick plant in Sinda settlement, was a chairman of the Rural Council. Currently he is the Deputy of the Nanaiskiy raion Council and an Honorary Raion Citizen. He was a winner of the krai competition "The best entrepreneur of the year" in 2001.

At the initial stage, the main type of activities of the company was house construction. In 1999, the firm transferred its focus to sawn timber production. The enterprise is also engaged in forest harvesting (Table 3.5).

The firm sells a portion of harvested timber to China; a portion of timber also goes into sawn materials production. Forest harvesting is executed only during forest treatment cuttings based on contracts concluded with Nanaiskiy and Sindinskiy leskhозes. The timber species harvested are mainly spruce and larch, with some hardwoods.

The firm does not have a leased plot, though they took efforts to gain one. The firm appeared to be too late – the most convenient plots had already been transferred for lease to other entrepreneurs. Yu. V. Donkan supposes, that some forest users do not use their leased plots effectively, - that they are not harvesting timber- but because they pay the lease rent the krai commission on forest use has no reason to cancel the lease contract and transfer the plots to those businesses who are the position to go in forest harvesting. This supposition of is not entirely correct, because in reality, in spite of any payments, lack of real use is viewed as a solid reason for a canceling lease.

The enterprise has relatively ample technical provision: 7 skidding tractors, 3 loading hydro-manipulators and 10 logging trucks for timber removal. In 2001, the firm purchased a construction of the former diesel electric station and equipped in it a carpenter's shop. The firm also has a Woodmizer, which was acquired with the help of Khabarovskiy krai government with financial support of the Model forest "Gassinskiy", and two domestic power-saw benches, which are likely to be dismantled and sold in the nearest future.

The firm produces sawn timber for raion consumers amongst whom there is even a waiting list for finished products. Not many new houses are currently constructed in the raion and sawn materials are used mainly for refurbishing private houses. A proportion of manufactured produce is shipped to Khabarovskiy raion and to Khabarovsk city. The quality of sawn timber is as yet low.

The average price of the manufactured products at the local market was 979 and 1108 rubles (US\$31 and 35) for round logs and – 1028 and 1701 rubles (US\$32 and 54) for non-dried sawn materials per cubic meter, in 2000 and 2001 respectively.

Now the enterprise is changing its development strategy, aiming at increasing the quality of its sawn materials for sale on the world market. In 2000, it invested 637,000 rubles (US\$22,800) into production and in 2001 a further 1,208,000 rubles (US\$41,400). In 2002, the enterprise purchased two Chinese power-saw benches with a productivity of 46 m³/shift, which are currently being fixed for use. A kiln was also purchased for the carpenters' shop. The enterprise aims to enter the Japanese market for which there are plans to acquire a kiln with capacity of 100 m³ for drying sawn hardwood materials.

The numbers of employees at the enterprise is 54 persons, most of whom are indigenous people. The average age of the employees is 30 years. Many of them have several working qualifications each, and they can work at forest harvesting, wood processing and in construction. LLC "Amur" is the only industrial enterprise in the Sinda settlement and local residents make up 35 percent of workforce. Laborers come to work also from nearby villages of Duboviy Mys and Mayak. It is company policy to employ young people and aborigines preferentially. The enterprise prepares its own specialists and pays for the training of young people in technical schools, universities and professional technical schools.

The average monthly salary of its worker is 4,000 rubles (US\$127), with average salary in the krai being 3,977 rubles and that of Nanaiskiy raion being 2,560 rubles, in 2001. Those workers executing complex jobs can earn up to 500 rubles/day (US\$15.9), and if special or urgent works are undertaken, they can earn up to 31,500sand rubles (US\$1,000) per month. The director determines salaries of workers himself.

There are practically no cases of drunkenness at the enterprise, because the workers have a high material interest in their work. The penalty for appearing drunk at the work place is 1,000 rubles (US\$31.4). There are also no reports of stealing, because the workers care about their jobs: unemployment is high in Sinda settlement and the waiting list to get a job is long.

The LLC "Amur" actively cooperated with the "Model Forest 'Gassinskij'" project, and is currently with Canadian project "McGregor". Meeting the wishes of Yu. V. Donkan, "McGregor" has implemented a joint project to construct a Canadian type frame house. LLC "Amur" paid all the expenses relating to the manufacture and acquisition of the required constructional materials, as well as the expenses for meals and accommodation of the Canadian instructors. In turn, the project "McGregor" financed the income of Canadian instructors and paid for their transportation from Canada. The project "McGregor" also helped in the purchase of machine tools for manufacturing windows, doors, etc.

As a result of this collaboration, a two-level house was constructed within two months, which will be used by the LLC "Amur" as an office. A peculiarity of the project was that although all the materials and completing elements were acquired in Khabarovsk and Nanaiskiy raion, the milling and drying of the timber were not executed at the enterprise "Amur" itself, but by LLC "Lidoga-Trading". However, apart from the building itself, the workers of LLC "Amur" manufactured all the windows, doors and furniture of the house.

The raion administration in fact does not render any help to the enterprise. On the contrary, the municipalities apply to the enterprise for support the social infrastructure of the raion – to acquire TV sets, taperecorders, to support local school, hospital, etc.

The LLC "Amur" offers significant support for the development of the social structure of Sinda settlement. It also provides the residents of Sinda and adjacent Mayak with firewood. Production costs of firewood harvesting total 520–550 rubles/m³ (US\$16.5–17.5), though the selling price to residents, as determined by the raion, is 300 rubles/m³ (US\$9.6). The annual debt accumulated by the raion budget to the enterprise averages 500,000 rubles (US\$15,700).

At the expense of LLC "Amur", a disco dancing hall, equipped with the newest technology was constructed in Sinda, and has become a cultural center within the settlement: all the local events and cultural activities take place in the disco hall. Residents of neighboring villages also come to visit. The capital investments for the con-

struction of disco hall totaled 1,5 million rubles (US\$47,800). The enterprise also covers monthly maintenance cost, because returns from the disco (earned from ticket sale, with costing 10 rubles (US\$0.3)), cover only 44 percent of the costs , and above that, on Yu. V. Donkan initiative, trade and use of strong alcoholic drinks at the time of events are prohibited. In spite of obviously charitable nature of the unit, the enterprise doesn't benefit from any tax exemptions, at least with local one.

The Head of the enterprise plans to diversify the range of activities with the introduction of brick production as from 2003. He plans to buy out a non-operative brick plant, located within the territory of Sinda settlement, and to purchase equipment in China. Close to the settlement there are clay deposits of high quality. The estimated capacity of the plant will be 1–2 million pieces annually. The commencement of production will create 80 new jobs, and as such the enterprise is playing a crucial role in alleviating the unemployment problem in Sinda and nearby villages.

The enterprise administration considered the main problems challenging small business development as high taxes, growth in the prices of raw materials and energy, as well as unnecessary controls and checks on the part of regulatory bodies. It coincides with evaluations, which were made by the businessmen in Lazo raion (see Section 2.1).

The furniture factory "Dynasty"

In Khabarovsk city there operates successful small enterprise – a furniture factory "Dynasty". The director of the factory is DOROKHOV Andrei Konstantinovich. This enterprise is a branch of LLC "Vouage", known in Khabarovsk city as a tourist firm.

In essence, it is a family business: A.K. Dorokhov heads the furniture production while his wife runs the tourist section. The business has existed already for 10 years. Initially it was engaged only in tourism, but later they branched out into delivery of kitchens from South Korea. Kitchens were purchased in Korea for US\$270, and sold in Khabarovsk for US\$500 (prices as of 1997). To economize on import tax, from 1997 the business started to purchase completing elements in South Korea and to assemble kitchens on site and at the same time South Korean equipment was acquired for this.

The business has become specifically successful since 1998, when, because of ruble devaluation and an associated increase in the dollar exchange rate, customer demand for imported goods sharply decreased and furniture import greatly diminished. The niche which the business shaped for itself was therefore largely supply from domestic producers. Currently, demand amongst consumers has grown again. At the present time, "Dynasty" manufactures office furniture of three types (cheap, average value and expensive), kitchens of 12 denominations, and furniture for schools and hospitals.

The production volume has grown swiftly: in 1999, it was valued at US\$200,000, climbing to US\$450,000 in

2000, and to US\$1,200,000 in 2001. In 2002, "Dynasty" anticipates an output of about US\$1.5–1.6 millions.

The enterprise has 65 employees including 50 people in main production. The average selling price of one item is not high – US\$40 in average - and the price of a small set is around US\$220. The income is earned on the basis of high labor productivity. The factory manufactures 300 kitchen sets per month and covers 50 percent of the krai demand for this type of product. The enterprise dispatches and realizes its production every day using 4 trucks and 12 loaders: if the furniture is not moved out of enterprise facilities on just one day, there would be an overstocking of storages space. Despite this, there is a waiting list for the enterprise products of 1.5 – 2 months.

The enterprise's low prices allow not spending money on advertising, because the enterprise already has the reputation. Plastic and accessories are purchased directly from South Korean suppliers, which also decreases transaction charges. In the structure of the production cost, expenses for feed stock and materials is 40 percent, wages – 12, costs of electric power and heating – 8, dealer's markup – 20, profit – 20 percent. However, less than 5 percent profit is earned in the manufacture of kitchens.

Competitors have production costs for furniture equivalent to the selling price. The "Dynasty" enterprise preserves the level of sale on the basis of a strict economy. For example, in 2000 at annual production volume totaled US\$450,000 and the main production of the enterprise involved only 12 persons (annual labor productivity was US\$37,500). At the same time, at the furniture factory "Zarya" – one of the main furniture producers in the krai during the Soviet period - 300 people were employed to achieve the same production volume (i.e. annual labor productivity was US\$1,500). In Dorokhov's opinion, this was one of the main reasons for "Zarya"'s downfall.

In addition to South Korean equipment, the enterprise uses a remote control machine tool for sealing edges that was purchased in Germany. The machine tool makes nine operations at one run. Servicing of one machine tool requires two high level experts. Currently, "Dynasty" utilizes 100 percent its machinery production capacity.

The enterprise does not currently plan any further increase of furniture production through replacement of the available machine tools with new technological lines, because this would not be economically effective. In the manager's opinion, the capacity of the local furniture market is limited and there is no demand for the furniture produced in Russia on the world market. At the present time, "Dynasty" production represents a quarter of furniture production in Khabarovskiy krai. The enterprise has the Russian certificate for all kinds of furniture production. The kitchens being produced are of better quality than those of previously purchased from South Korea because Russian quality standards (GOSTs) are stricter.

In A. Dorokhov's opinion, the more complex a business is, the more it will demand skill and qualification,

and the less competition it will have. In 1997, the owners invested into furniture production US\$30,000 at "Dynasty", which was considered big money for a small business. And because of this investment, they had no competitors. The company has faced competition from 2001. At that time, there were 25 small furniture production enterprises in Khabarovsk. But the "Dynasty" managers invested into modern equipment acquisition and were so able to hold off the competitors again. However, furniture production profitability decreases noticeably because of growth in taxes and gradual saturation of furniture market. In 2000, the enterprise was able to invest US\$200,000 into production development, out of the total profit of US\$450,000. In 2001, out of a total profit of US\$1,300,000, the enterprise was able to invest only US\$300,000 into production because a significant amount was spent on various payments and taxes.

That's why the enterprise managers are changing current strategy and diversifying into as yet more financially capacious business to hold off the competitors. A new type of products will be manufactured – edgeglue panels. For this purpose, beginning from 2001, investment will go into establishment of the new production line. Premises as well as Czech equipment for timber sawing and convective drying are already acquired. The kiln will be equipped with a computer, which will control moisture level via gauges inserted into the wood.

The required investments are US\$1,200,000. The establishment of production is planned for execution in two stages. In the first stage, the premises will be fixed at the expense of the proper means of the enterprise. The activities cost will be US\$375,000. In the second stage, the production itself will be started. Panels will be glued by heating, which will allow for manufacture of panels of higher quality. For this purpose, German equipment will be purchased. A German bank has promised to grant credit against a guarantee of US\$750,000 from Vneshtorgbank. Currently, negotiations are continuing for securing the credit. A contract has been signed for collating information, servicing equipment and training of enterprises employees.

The production volume is projected to be small – 150 m³ per month. The estimated cost is US\$400–450 per 1 m³ of the produce. Initially, it is planned to export panels. High profitability of production is expected because prices for the product on the world market are high: US\$2,000 on the Japanese market per 1 m³ and US\$1,100–1,200 at China –. There is already a potential partner, a Chinese firm, which is ready to take panels for such a price, for further furniture trading in USA, where there is high demand for such furniture. The "Dynasty" expects to gain a net income of \$100,000 per month. In the future, it is hoped that Dynasty will develop production of its own ecologically friendly furniture from the panels it is producing. With such a line of products, it could be possible for Dynasty to move onto the world market.

The production will demand 6,000 m³/year of hard-wood (oak, ash, walnut) as feedstock. Initially, it is

planned to purchase it, though later to lease a forest plot in Primorskiy krai (along Bikin river).

In A. Dorokhov's opinion, it is more profitable to have a legal business and to pay taxes than to operate illicitly. Meeting all the laws, punctually sending reports to the tax inspector and to the organs of state statistics, the enterprise has the status of krai producer, which allows it to trade with state consumers. Up to 40 percent of the capacities of enterprise facilities is used for the state order. This is assisted by the directive that exists in Russia, which asserts that state structures are obliged to purchase furniture from local producers. The consumers of the factory production in Khabarovskiy krai are: Savings Bank, Representative office of the RF President in the Far East Federal Okrug, Representative office of the Russian joint-stock company "Uniform Electric Nets of Russia" and others.

Another form of support offered by the krai government to entrepreneurs is to grant privileges to enterprises and assists in investments projects on establishing production objects within the krai territory. This is stipulated in the krai law "On investments activities in Khabarovskiy krai" adopted by the Legislative Duma of Khabarovskiy krai on May 31, 2000 (with amendments dated July 31, 2002). Under this law, the rate of profits tax is decreased and enterprises are made exempt from paying that components of property tax and land tax paid into the krai budget. To be granted those exemptions, enterprises have to go through a rather protracted procedure, providing justifying materials of a special form, having first been given permission by the industry ministries and then by the investments council under the krai governor's office. Dorokhov is going to submit such documents on the new production.

The main barrier to business development is difficulties in obtaining loans for production development. Foreign banks are scared to give credits while Russian banks promise to help but preserve a very high credit rate – 12 percent. In addition, they require 100 percent of mortgage. For example, if equipment for new production cost US\$750,000, the bank will demand all the equipment and kilns form the mortgage.

In the event that issues on difficulties to get for small business is solved in Russia, the Russian producer will work effectively because the people already know how to work. This situation would be assisted by various sorts of training workshops and trade exhibitions and fairs, which are already carried out by foreign equipment producing firms. For example, at an exhibition fair in Krasnoyarsk city in 2001, furniture producers sold their machine tools and acquired new ready lines for furniture production for their proper means, earned previously.

Base on these case studies, followings could be pointed out as the reason for their success.

- 1) Small businesses are private businesses that belong usually to a single person, single family or small close group. They must be profitable or they will not survive. Necessarily they have good indices for

most economic factors.

- 2) By the same reasons, managers of small business are good organizers, flexible, communicative, have proficient knowledge of markets, etc. Such managers are the main source of power for successful small enterprises. They can organize work, interest employees in production, etc. Good management is the main reason for small business success. (However, it does not mean that the same people will be good managers within big business).

For example, in the case study of the furniture factory "Dynasty", as has been mentioned, annual labor productivity in 2000 was US\$37,500 in comparison with the big furniture factory "Zarya" for which annual labor productivity was US\$1,500.

4. Community survey

Questionnaires survey

As has been pointed out above, a community survey was concentrated in 2002 financial year to make known the opinions of the population directly through questioning. For this purpose, a questionnaire including 41 questions aimed at eliciting 189 fixed and unfixed answers (Appendix 2) was developed and agreed upon by the Russian and Japanese parties of the Project. The questions were divided into separate themes and arranged into blocks. The goal of the investigation was to:

- Ascertain the role of the forest in the life of the people in Lazo raion in general as well as of communities selected for investigation;
- Investigate how the local residents evaluate federal and krai forest policy, and the activities of forestry bodies and forest entrepreneurs;
- Reveal to what extent the local population is ready and willing to participate in the raion forestry sector managing and to directly participate in forest activities;
- Find out how informed local peoples are with regards to forest issues.

The questionnaire was carried out amongst the following four population groupings:

- Sita town – 60 questionnaires;
- Sukpai town – 57 questionnaires;
- Gvasyugi village – 7 questionnaires;
- The rest of the raion Lazo communities – 49 questionnaires.

During analysis of the questionnaires, a fifth grouping was introduced – Lazo raion as a whole. The questioning was carried out in September–October of 2002. One hundred and eighty questionnaires were distributed, of which 173 were filled in and returned.

The social portrait of the respondents inferred from the result of questionnaire can be summarized as follows. Respondents of the raion in total consisted of 55 percent of women and 45 percent men, which approximately corresponds to the population structure of the raion. The average age of respondents was 36.2 years, which also

corresponds to the age structure of the raion population, given that the average age in 2000 was 35.9 years (ERI, IGES, 2002). Out of the total numbers of respondents, 6 percent were of indigenous minority peoples of the North. Among the respondents, 37.6 % have secondary special education and 30.1 % have university education. The share of the people who do not even have secondary education is not high – 9.2 percent (Fig. 4.1). In this respect, the sample appeared to be displaced from the modal structure of the raion population, which is not surprising, because the questionnaires were answered by the more competent element of the population. The education level of this sample also differs from the businessmen questioned in a separately survey (see. Section 2.1). That is, persons with a university education dominated the latter because businesses tend to be run by people with special training.

The average size of a respondent's family is 2.6 persons. The share of unmarried single of either sex is high – 24.9 percent. The rate is highest in Sita (31.7%) and Sukpai (24.6%). In Sita, this is explained by the fact that families break up because of disorder in conditions of a depressed community, and in Sukpai by the traditional nomadic way of life of workers in forest logging enterprises.

The level of education and possibility of literary formulating of answers caused that, the largest single group of respondents was office workers (36.0%), followed by workers (14.3%), and retired people (10.9%)(Fig. 4.2). The number of unemployed people represented in the survey was greatest in Gvasyugi (37.5%), and lowest in Sukpai (1.8%), which is quite natural. Peasants made up only(0.6% of the respondents, because(?) there are not many of them living in the area of questioning and they are not particularly related to forests or forest activities.

Practically all the respondents (94%) regard themselves as RFE citizens, mainly in 2nd–3rd generation. though it might seem strange, this question prove difficult to answer for the citizens of Gvasyugi village, 57 percent of whom couldn't respond as to what generation of RFE citizens they are. 86 percent of them regarded themselves as being the indigenous minority peoples of the North.

In response to the question "how do you regard the settlement and the raion where you reside", 36 percent of respondents believed that "they should be revived", and 46 percent said they wanted to see their settlement well organized, though only 10 percent said they would be ready to participate actively in such reorganization. The raion population has mostly passive behavior. This was confirmed by the following answers.

According to official statistics from 2000, the Khabarovskiy krai citizens received 52.2 percent of their income in the form of their salary, 15.6 percent were provided for by entrepreneurs' activities, 12.3 percent by social transfers, 2.8 percent through profits earned from ownership, and 17.1 through other sources (RF State Statistic Committee, 2001). Judging from the result of

questionnaire survey, it appears that for the majority (78%) of Lazo raion respondents, wages are the only source of income, which is natural, because according to the sample requirements the entrepreneurs were not included. Those that claimed they gain income from activities relating to forest were mainly workers employed by forest enterprises – 36 percent on average for the raion, 66 percent in Sukpai town and only 16 percent in Sita town. In addition, 25 percent of population in Sita town (13% on average for the raion and 7% for Sukpai town) individually harvest and sell mushrooms, berries etc. This only confirms that in settlements located within the zone of depletion, citizens gain profit from the forest mainly through unorganized economic activities.

So as to gain a deeper insight into the thoughts of raion citizens respondents were asked, "How important are forests to you personally". Almost a half (46%) responded that "they are an integral environment of my life", meaning that they believe it is impossible to live without forests. The frequency of this answer was 52 percent of respondents in both Sita and Sukpai towns. The second most frequent answer was "I use the forest only for recreation and trips" (27 percent average for the raion, 31 percent for Sita and 19 percent for Sukpai). From this it can be inferred that the forest around Sita town are of greater social value than those around the Sukpai community. Although it was anticipated that many would rate forests as the basis of their well-being, in actual this answer appeared only in third place – an average of 13 percent for the raion, 19 percent for Sukpai, 18 percent for Gvasyugi and only 3 percent for Sita.

For the same purpose, respondents were asked the following two questions: "how often do you visit forest" and "what is the reason of the visit". 38 percent of respondents visit forest several times a year, 22 percent between 1or 2 times per month and only 21 percent do so several times a week. The main reason for visiting forests is to pick wild vegetables and mushrooms (35% in average for the raion). In the second place came recreation, tourism, sport (28%), and in the third came hunting and fishing (14%). Among the investigated communities, 46 percent of Sita and Gvasyugi residents visit forests to pick wild vegetables and mushrooms, and only 32 percent of Sukpai residents visit the forest for this purpose. 31 percent of respondents in Gvasyugi village use forests for hunting and fishing. In Sita and Sukpai, frequencies for this reason are only 10 and 17 percent respectively.

From the response given to questions relating to the number of trees planted and cut down by individuals during their lifetime, it appears that quality of trees planted far exceeds the numbers of those cut down (Fig. 4.3). This situation is found for Sita, Sukpai and Gvasyugi as well as for the raion as a whole. Only 5.0 percent of respondents revealed that they have not planted even a single tree; 48.6 percent (about a half) claimed they had not cut down a single tree.

Of the total people that responded, 44.4 percent of the raion as a whole do not wish to go into any forest busi-

ness; 0.6 percent did not respond. Of the remainder, 25.3 percent would like to have their own forest business based on the use of non-timber forest product, 5.6 percent would like to run a business based on the provision of services for recreation, and 3.4 percent a forest felling business. An additional respondents expressed a desire to go into their own business, but do not have the means to do so (14.6%).

Communities differ greatly in the structure of answers given to this question. In Sita, 70 percent of respondents do not wish to establish their own business, whereas in Sukpai not a single respondent answered in this way. This is a distinct example of just how diverse the population activity of these two towns are.

Almost two thirds of those who expressed a wish to go into their own business (62.3%), said they need a partner with capital; 15.1 percent said they need a loan and only 11.3 percent answered that they do not need anything to go into business.

Thus, the overall social-psychological profile that these answers generates, suggests that respondents have a positive but not very active cast of mind.

Another block of questions was targeted at investigating the population's attitude towards forest issues.

Answers to the principal question of this block, "who should own the forests", were distributed as a whole for the raion in the following decreasing sequence: krai ownership (37%), federal ownership (26%), RMF ownership (21 %). These figures account for 84 percent of total respondents. For Sita and Sukpai towns the responses to the same question reflect the same sequence, but with a different ratio: 52:30:8 and 33:28:26 (figures present percentage) respectively. Respondents of Gvasyugi village, however, gave a completely different picture: 14 percent for federal ownership, 29 percent for ownership of RMF, 57 percent for ownership by the rural community members. A desire for private ownership of forests was not expressed by any respondent. It means that the population does not regard forests as objects of privatization, and people do not want them to be transferred into private hands. There exists a common fear that if a forest falls into ownership of a private entrepreneur, he will cut it for selling without further reforestation of the logged site. Although there is no evidence to substantiate this fear, it is nonetheless a rather stable conviction.

In connection with principal importance of this issue, the related question "do you accept a possibility of introduction of private property in forests" was asked. As a whole, 79 percent of the raion answered to this question negatively and only 12 percent responded positively. In Sita and Sukpai towns the answers distributed as following: 83 percent "no", and 8 percent "yes"; and 79 percent "no", 11 percent "yes" respectively. Those who answered this question positively were subsequently asked the next question "how to implement forests privatization". In this case, there was rather broad spread of opinions, perhaps attributed to the small sample set of answers received on

this point – only 29 respondents for the whole raion. The primary answer was to make transfer the forest "free only for residents of forest settlements": the average for the raion for this answer was 38 percent, for Sita town 40 percent, and for Sukpai town, 50 percent. Another answer was to implement privatization "at a charge for everyone": the percentages here were 21, 20 and 38 percent respectively.

Wide-ranging discussions on the distribution of payments for forest use continue in Russia. The answer from federal authorities is not clear also, which change the order almost annually. In answer to the question "who should receive payments for forest use", the raion as a whole responded that payments should go to the budget of a municipal formation (28%), the raion (27%), or the krai (26%), that means each answer has about the same share. Only 6 percent of responded that payments should be directed to the federal budget. Within the smaller sample sets, the structure of responses appeared to be quite diverse (Fig. 4.4). Neverthe-less, the general opinion of the population consists of the idea that payments for forest use should remain within the territory where the forest grows.

Evaluation of the situation pertaining to use and guarding of the forests was carried out using a five score system: perfect (5), good (4), satisfactory (3), bad (2), very bad (1). Across all the groups, it "bad" (~2) appeared to be the average, with fluctuations from 1.7 in Sita to 2.4 in Sukpai and the rest of the raion settlements. In Sita town, where forests have suffered heavy depletion, the general score of the situation with regard to use and guarding of forests appeared to be the lowest for the raion. In Sukpai town, located in the zone with rich forest resources and with a developing forest industry, the scores appeared to be more optimistic. The score "perfect" was not given by a single respondent, and "good" by only two percent of the respondents. Such a low level of scores, as well as their spread, leads to the following conclusions:

- The responses evidently reflect the objective situation;
- The mass media exerts a strong influence, and the information it disseminates on forest problems have, as a rule, negative nature;
- The distribution of answers for the settlements confirms the supposition expressed above that when forest are no longer the primary and guaranteed source of the residents' well-being, the subjective evaluations of the forests go down. Where the forest provides stable earnings for residents and, on top of this, where the forest resource is sufficient, people's evaluations of the state of forest use increased somewhat.

Seven factors which have a strong influence on forests were selected,. Respondents evaluated these factors on a five-point score system: 1 – the weakest influence, 5 – the strongest one. It was possible to evaluate several factors and to introduce any additional factor. As a whole

for the raion, the relative strength of the various factors was evaluated as following (in declining order): forest fires (average assessment 4.3), illegal felling operations (3.9), legal commercial logging (3.0), roads (2.2), forest pests and diseases (2.0), treatment cutting (1.9), forest planting (1.8). The evaluations given by the investigated communities, however, had such a broad spread as to be practically unexplainable.

Almost at the same time, the Khabarovskiy Wildlife Fund carried out questioning as part of project GEF (Sheingauz, Sukhomirov, 2002). In answering the question, "what causes the worst harm to the wild vegetation and animals", 244 of respondents put forest fires in Lazo raion in first place (33.6% of answers), and commercial logging operations (without differentiating them in terms of legality) in second place (22.5%). Clear coincidence of these two independent evaluations is evident, testament to the stability of the opinion.

The question regarding illegal logging was asked separately. As a whole for the raion, 81 percent of respondents believe that illegal logging accounts for 53 percent of the total volume of legally harvested timber and that this causes severe damage. Most of the residents of both investigated towns also consider illegal logging causes damage: Sita – 98 percent of respondents, Sukpai – 70 percent. However, their evaluations of illegal logging differ by almost twice as much. The Sita town residents believe that illegal logging is 61 percent of legally logging volume and Sukpai town residents – 35 percent. As a whole, over all the surveyed group, it is clear that negative attitude towards the phenomenon dominates: 69.5 percent of the respondents consider illegal logging to be a crime, but 30.5 percent believe that it is enough to fine the person that has performed such an act. On this last point, respondents in Gvasyugi felt specifically strongly (42.9%).

Answers to the question on the character of strategic forests management were particularly diverse. As a whole for the raion, there were notable proposals "to transfer forests to the management of local authorities" (20.2% of responds) and "to ban commercial use of the forests" (19.6%). With regards to this second response, respondents dominated both in Sita (25.5%) and in Sukpai (22.5%).

Three quarters of the respondents (74.3%) rejected the idea that residents' participation in forest management was required, believing instead that it is professionals' responsibility. However 24.0 percent believe that such participation is obligatory (Fig. 4.5). Approximately twice as many respondents agreed to answer the question on profundity of participation, as comparative to those who considered such participation to be mandatory. However, the overwhelming majority regarded participation as rather superficial and in passive in a great extent. Only 9.1 percent consider that it should be equal in rights and complete. These answers reveal one of the most urgent issues of the present investigation: that the population is not ready for, or is not striving for active partici-

pation in forests management.

The same trend manifested itself in the answers to the question "are you personally ready to take part in forests improvement". More than a third rejected or did not support the idea: 34.1 percent responded "no" and 0.6 percent did not give any answer. Almost a half (43.9%) answered "only if my efforts are paid for" and only one fifth agreed to participate for free (21.4%).

The third block of questions touched forest information and education. More than a half of respondents (54.9%) answered that information on the situation of forests and their use is important for them, but only to a limited extent (Fig. 4.6). For more than one third (38.2%), information is very important. For many respondents (31.5% of responses), the source of information is television and, for almost as many again (30.6%), newspapers. A third source – radio – falls significantly behind (12.7%). Respondents also voted to their preferred sources of information, and in the same order.

Only 31.8% of the raion as a whole expressed a need for additional information, though in Sita the share rises to 43.3 percent, and in Sukpai it decreases to 14.0 percent. These data cast doubts on the high importance attributed to public awareness by all the international projects. However, here the reverse could also be true – he/she, who is the least informed, least of all needs additional information. In this investigation, means for distinguishing on this issue were not determined.

Overwhelming majority (93.6% as a whole for the raion and in Sita 100%) of respondents noted, that special forest education is required for the population. The target groups (that is, at whom this should be directed) include all the population (41.2% of responses), young people as a whole (21.6%) and schoolchildren in particular (20.6%). Priority methods for this education should include lessons in classes, visual aids and lectures via mass media. Such a selection looks somewhat strange but seems the most customary for the population.

The last and the shortest block of questions covered the attitude of local population to alien. More than a half of the respondents (53.2%) regarded attraction of personal to work in forest operation from other regions of Russia as "incorrect", the most categorical in this respect being respondents from Sita – 73.3 percent of negative answers, and the most tolerant being those from Sukpai population – only 38.6 percent of completely negative answers. The rest of the respondents consider the situation as permissible, but with reservations; 9.3 percent are indifferent to this problem and only 3.5 percent approve of such events.

With respect to foreign labour, the perception of the raion as a whole was not worse: complete disapproval accounts for 50 percent of respondents, lower are indexes for Sita – 63.3 percent. For Sukpai the formulation that "this is not desirable but inevitable" was the largest single response (40.7% of responses).

Thus, the questionnaire survey has revealed a relatively variable picture of opinion and evaluations in rela-

tion to population of Lazo raion whole and its different communities. As a whole, they can be evaluated as positive, but in some cases they are rather obscurant.

The result of the analysis were reported and discussed at a seminar, organized by the Project members on November 27, 2002 in Sita town, with participation of the town residents.

Social group of the community

The social groups in the settlements are almost the same as laid in question 6 of the questionnaire. However, there is degree of differentiation. The make-up of society in terms different social groups depends on the type of settlement, i.e. be it an industrial settlement, or an agricultural one. Here the social groups found in Sita and Sukpai, as two different types of industrial settlements, are described from the point of view of their degree of responsiveness to participation approach to forest management.

1. Workers. Workers form the largest group in Sukpai and the lesser group in Sita. The job of most workers are linked either directly or indirectly to the forest sector. The group contains two different subgroups: 1) local workers and 2) those hired from other regions.

Workers of the second subgroup have only one goal – to earn as much money as possible and then return to their native area. In this area, they have a bachelor life style. They are very passive towards any social movements and are very submissive to their bosses. They show no response to participatory approach.

Members of the first subgroup manifest active lives with good self-consciousness. During the Soviet era, they were acknowledged as the headmost social group, were socially active and enjoyed a high degree of social protection. Now they are preoccupied with concerns such as remaining employed, size of salary, etc. The proportion of young people in the subgroup is small, with an average of about 40 years. These workers and members of their families are skilful in forest practices, not only timber harvesting but also hunting, collecting, etc. Most of them consider their settlement as their constant home. Though they have their own opinion, they will not voice it freely because their high dependence on their bosses.

The workers of this subgroup are responsive for participatory approach but only in passive sense and in line with adopted regulations.

2. Businesspersons (predominantly businessmen).

High ranking businesspersons such as the owners of Rimbunan Hijau or Ros-DV don't live in small settlements within Lazo raion. In Sita and Sukpai the only businesspersons are those whose enterprises are small. Their type of business is very different (production, trade, service, etc.) though many of them run forest business either as their main activity or as a subsidiary one. They are very active, mostly are local residents, though very movable and use modern communications. In their own estima-

tion of their situation, they mostly believe themselves to be independent. According to their interests in forest harvesting or in forest conservation (forest being the environment of their business or their life), they can be very responsive to participatory approach. It is necessary to keep in the mind that a significant proportion of this group is linked with criminal affairs.

3. Managers. These are the most intellectual, professional and active elements of the community. The group includes people of different professions. Can be subdivided into two subgroups: 1) commercial managers and 2) non-commercial managers. The two have very different personal incomes, living standards and interests. Commercial managers have good income, mostly based upon natural resource use, primarily timber harvesting. That's why, most of them in their everyday activity, professional goals and life level are not devoted to sustainable use. Besides, their position dictates that they must express their bosses' interests.

Non-commercial managers are heads/deputies of municipal administrations; directors of schools, leskhozes, hospitals, and other people of first and second ranks. Officially, their salaries, paid from state or municipal budgets, are not very high. They are active and as a rule consider the settlements as their constant home. Usually they are advocates of moderated use of natural resources without its depletion. The last subgroup constitutes the most appropriate facilitators of participatory approach.

4. Office workers. This group contains commercial clerks, teachers, medical doctors, leskhoz foresters of middle rank, post office clerks, etc. They represent the educated component of the community, they understand environmental problems and are not indifferent to them. As a rule, they have low income, are concerned with surviving but some of them are active in environment issues.

5. Unemployed pensioners. This group forms a very poor part of population. This is especially true of those who live alone, without younger family members who can support them. Nevertheless many of them are much politicized and those who are sufficiently healthy are active. One of their favored political topics is nature resource use and environment conservation. They can be very active in response to participatory approach, particularly those who were linked with forestry sector during their working life.

6. Unemployed housewives. The relative size of this group within a rural population is usually greater than an urban one because of the respective living conditions. In rural area, they play an important role in the community. Having flexible daily routine they receive a great deal of information from TV and radio, which forms their opinion and vision. They have considerable influence over the other social groups that are their relatives or neighbors.

Some of them are very active within community life though they cannot be key people within participatory approach, they can be supporters if there are necessary education impact through mass media and such respectful people as teachers, heads of administration, etc. to them.

7. Students of universities and colleges. Mostly students stay in the cities where their educational institutions are located. There they absorb new ideas those including environmental conservation and sustainable development, Internet use, etc. Unfortunately, they spend little time in the local communities and therefore don't have much influence within community life. They mostly don't consider local communities as the place of their future life.

8. Schoolchildren. Naturally, the behavior of this group reflects the style and opinion of the parents, which are very diverse. At the same time, they are under the influence of teachers' and mass media. Usually, it is very easy to organize them into environmental programs especially those focusing on real, practical activities, including for example, the "Blue Patrols", "Green Patrols", "School Lesnichestvos", etc.

9. Unemployed. The unemployed are very poor and socially unstable group. Many of them are heavy drinkers and even chronic alcoholics. The collection of forest products is often one of their main sources of substance. Although they are very unreliable people, some of them there are bubblers who like to talk about different topics including nature conservation. Increasingly, the group includes migrants from big cities who have lost their job and apartments in the cities, mostly as a result of their idleness and heavy drinking.

It is evident from the above discussion that the key persons within participatory approach are the noncommercial managers and some office workers. However, following should be stressed:

- For many reasons, there is a great deal of difference prevalent amongst the population regarding "real" public life. People don't want to participate in public events and they have lost confidence in the authorities. It is very difficult to motivate them to participate even in one-off events such as elections, villagers' meetings, etc. It is especially difficult to attract them to participate in long-time activity programs.
- Judging from the behavior of local people, their interests in participating forest management is very low. The issues they most concerned are job, income, survival, increasing their standards of living, their children's education, etc.
- There are a mixture of reasons why people may be eager to participate in forest management. Some wish to preserve forests, establish non-exhaustive means and even protected order. Others want to receive access to forest resources for their own gain.

Such is the common social face of communities. While Sukpai community has a larger component of economically active groups than Sita community, the latter has a bigger share of pensioners and unemployed. Overall modus vivendi of Sukpai is more active and optimistic than of Sita. But Sukpai residents are more involved into money economy and are less eager to participate in social activities than are Sita residents.

As far as the financial structure of the communities is concerned, it is unlikely that a full picture has yet been ascertained. Experts doubt that even the result of national census conducted in autumn of 2002 will give a true picture of household economies. Many Russian people wish

Our estimation of numbers in each these groups is following:

Social group	Person number	
	Sita	Sukpai
Workers	400	500
Businesspersons	10	20
Managers	40	50
Office workers	110	250
Non-employed pensioners	630	120
Non-employed housewives	180	100
University and college students	80	80
Schoolchildren	250	250
Unemployed	400	30
Total (excluding children younger than school age)	2100	1400

to hide economic information.

For example, according to official statistic, 52 percent of Khabarovskiy krai population is poor and this percentage has increased in the last few years. However, many experts believe that in reality there has been gradual increase in overall quality of life, which is hidden because of the unreliability even falsity - of economic statistic relating on income as a result of a very large presence of a 'shadow economy', not only in forestry, but also in other sectors.

Conclusion – Some findings

The results obtained during the course of the second year of the Project's implementation provide sufficiently extensive information. However, these results are not very optimistic with regards to the goals of the investigation. These goals are to define international and local approaches of forests management.

Considering the international approach, i.e. various international agreements, conventions and so on, it is declared to implement it. Indisputably, their requirements are reflected in the principals of Russian legislation, with respect to the protection, use, and regeneration of natural resources. Some such specific measure as establishing of zapovedniks and zakazniks etc. were fulfilled. However, there are as yet no measures which implement specific forest activities in relation to the objectives of these international documents beyond what is already carried out as routine work.

In the present report, the structure of which has been elaborated upon mainly by the Japanese side of the Project, positive aspects of progress within forest management in the RFE were not well described, but the progress has certainly taken place. Such positive aspects going on include extension of protected areas; the development of new regulations and standards for forest including felling operations; the gradual reinforcement of systems for the control of forest use, and so on.

However, there remain a lot of drawbacks and obstacles in the transition to sustainable forest use. A portion of these are traditional ones, (not only concerns but laws, manuals, equipment and many others) which may persist for many years, some of them having originated in the abrupt shift from a plan economy to a market one, and are associated with all of the consequent negative phenomena which have impacted upon the Russian society and economy as a whole.

Such drawbacks include:

- The stable gap that exists between availability of rather wise and targeted laws and constant improper their implementation or full their non-execution;
- Alienation of the local people from forests management issues; this is a phenomenon that arose many decades ago and persist to the present time;
- The same long-standing passiveness of the population in relation to forest issues, which are regarded by the population as being alien, "bureaucratic" activities;

- An unstable and imperfect legislative base;
- Insufficient and non-comprehensive forest law and the incomplete justification of legal infringements (directly related to the previous statement);
- A lack of information for the population on true situation in the sphere of forests protection, use and regeneration;
- A continually slackening of forest service, which should be the center and leader of protection, use and regeneration of the forests, and must be responsible for developing good public relations;
- The legislative and actual exclusion of the raion and municipal-level administrations from forests management, and the lack of the rights and financial opportunities to influence forests management within the limits of their subordination territories;
- Uneasy and even antagonistic relations between large, medium-sized and small forest business as well as the rest of the population;
- Difficulties relating to survival faced by a significant portion of the rural population, specifically in depressive settlements, and an adherence decrease in political and social activity;
- The persistence of destructive forms of forests use.
- Imperfection of the Russian bank/credit system, especially its high crediting rates;
- A complicated, instable, and opaque tax system;
- Arbitrariness and corruption of officials;
- A lack of managers who embrace the new market.

These problems should be solved on the basis of the concept of forestry adopted by Federal Government (RF Government, 2003) and the principal directions of the development of forest industry, as approved by Khabarovskiy Krai Administration, and the Principal directions of forest sector development (RF Government, 2002). Unfortunately, federal-level concepts are over oriented towards the interests of administrative and social groups.

The federal concept of forest is targeted at servicing federal interests, centralizing forest management and enhancing the role of the RF Ministry of Natural Resources.

The federal concept of the forest industry complex also serves the interests of large forest businesses, particularly large Russian holdings.

The principal directions of Khabarovsk krai of the development forest industry take into account, in the first instance, the interests of the krai authorities and large krai companies, although they include a number of regular provisions on the rights of local populations, small businesses and so on.

Thus, preliminary recommendations are as follows:

- Radical changes of situation within forest service. Its corrupt and failing staff must be dismissed. The forest service staff must be transformed into real state guard that is obeying laws, with access to an ample budget, well-equipped (even bring weapons). The implementation of participatory approach requires that the forest service is one of the core participator

and, as such, the service must be a honest and reliable participator.

- Russian reality is heavy with passivity regarding participation in public life. As such, it is currently impossible to envisage a highly motivated population eager to take part in forest management. The main task over the next 5 to 10 years is not to establish participatory system (this being the secondary task), but to awake the population's motivation for public activity, and upbringing to this behavior. The implication of doing so are potentially far-reaching (i.e. they will not be limited only to participatory approach or forest management).
- Development of new acts and amendments of acts already in force that will provide a legislative framework for public participation in forest management. Participation must become not simply an optional activity, but an obligatory one.

Further definition of those provisions and the development of new ones in the form of recommendations is the goal of the project's third study year.

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Tables and Figures

Table 2.1. Volume of forestry operations in Lazo raion, 2000

Leskhoz	Intermediate cutting		Forest planting, ha
	thou. cu. m	ha	
Khorskiy	19.1	1084	252
including contract operations	-	-	229
Mukhenskiy	8.0	790	250
Oborskiy	9.1	102	200
Prigranichniy	9.2	571	10
Sukpaiskiy	12.5	852	200
including contract operations	3.3	121	-
<i>Total</i>	<i>57.9</i>	<i>3,399</i>	<i>912</i>
<i>including contract operations</i>	<i>3.3</i>	<i>121</i>	<i>229</i>

Table 3.1. Species structure and prices of timber harvested

Species	Harvested timber, average (range), %	Purchased timber, average (range), %	Price per cubic meter	
			Rubles	US\$
Spruce	57 (10–90)	62 (54–70)	1,030	37
Fir	23 (15–50)	22 (20–30)	980	35
Larch	15 (5–40)	23 (23)	1,060	38
Ash	11 (3–40)	10 (10)	-	-
Oak	8 (5–10)	-	-	-
Birch	17 (10–20)	-	-	-

Table 3.2. Selling prices of the products and their profitability

Product	Selling prices per m ³ , average (range)				Profitability, average (range), %	
	Rubles		US\$			
	1999	2000	1999	2000	1999	2000
Softwood bole	120 (120)	504 (504)	4.3 (4.3)	18.1 (18.1)	-	-
Hardwood bole	960 (960)	816 (816)	34.4 (34.4)	29.2 (29.2)	-	-
Industrial round wood	1236 (393–2000)	1193 (215–2700)	44.3 (14.1–96.8)	42.8 (7.7–96.8)	34 (17–61)	18 (10–24)
Sawlog	1193 (610–1800)	1163 (906–1420)	42.8 (21.9–64.5)	41.7 (32.5–50.9)	30 (25–35)	27 (20–31)
Pulpwood	-	620 (600–640)	-	22.2 (21.5–22.9)	-	-
Fuel wood	77 (58–96)	70 (44–95)	2.8 (2.1–3.4)	2.5 (1.6–3.4)	20 (20)	25 (25)
Sawn wood	929 (676–1284)	1610 (1143–2410)	33.3 (24.2–46.0)	57.7 (41.0–86.4)	17 (9–25)	19 (6–26)

Table 3.3. Distribution of forest enterprises in Lazo raion

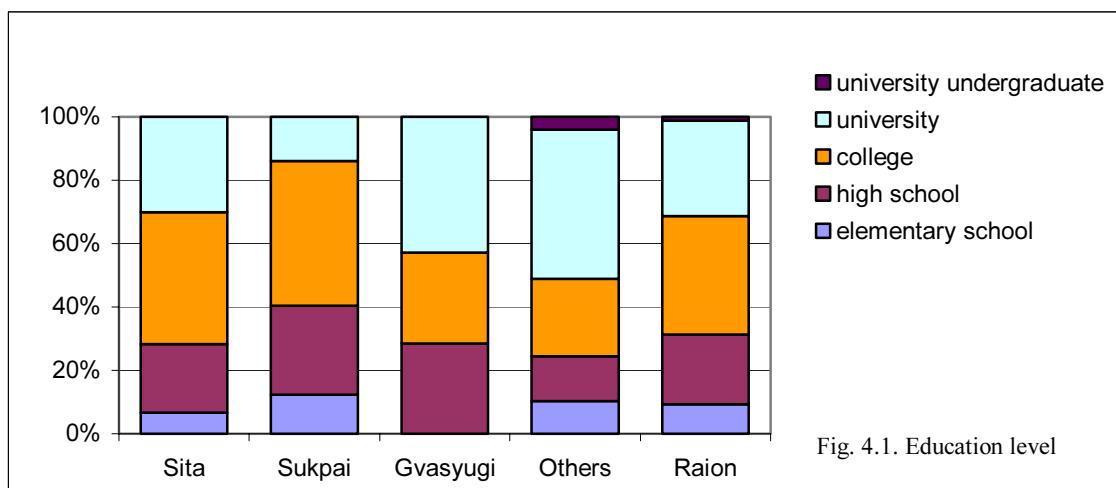
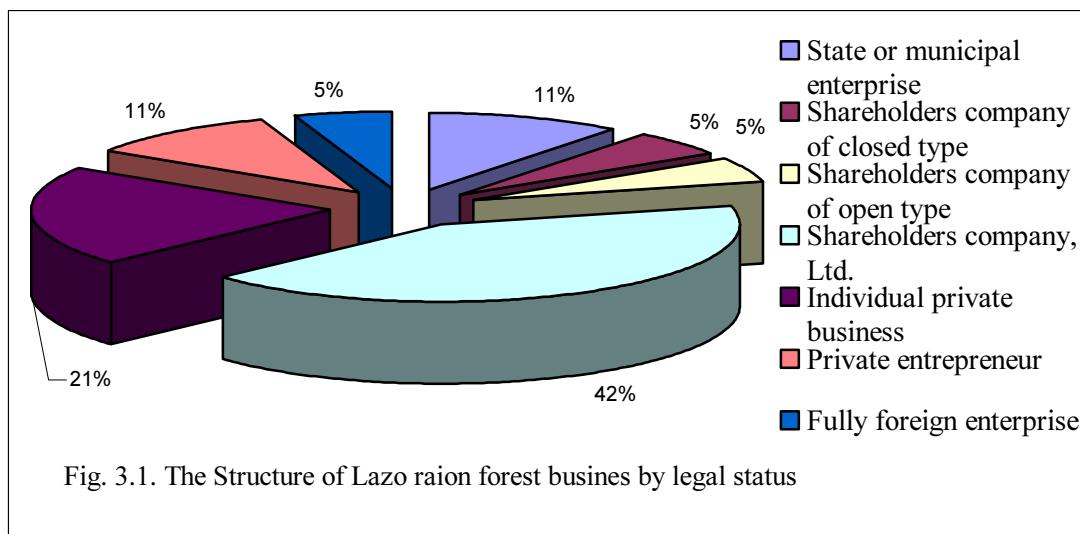
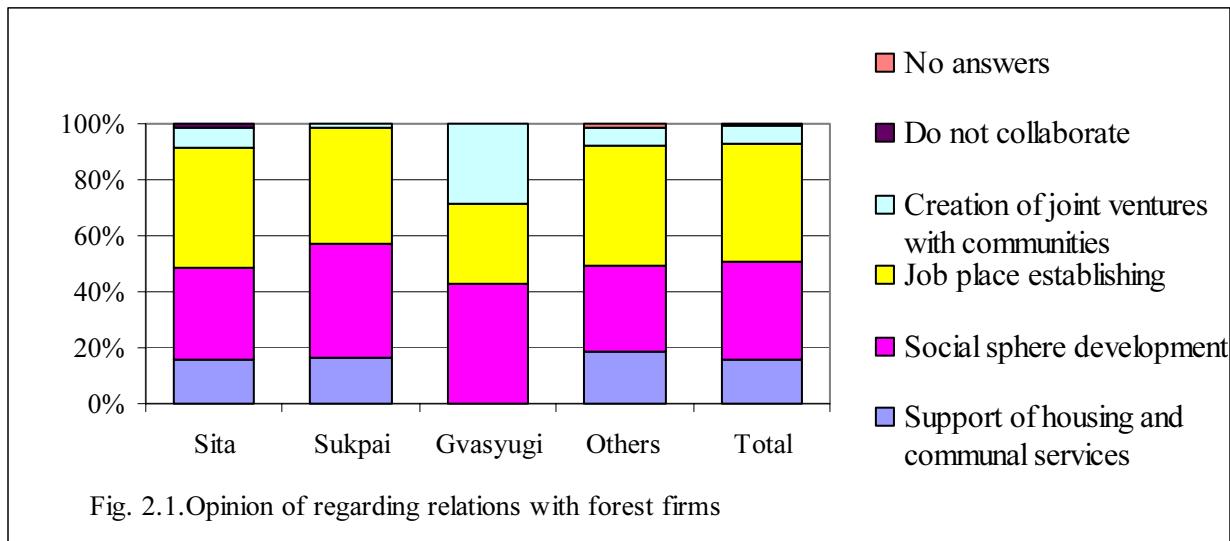
Settlement	Enterprise number	
	Total	Of which small business
Pereyaslavka	14	13
Mukhen	11	9
Khor	11	8
Sukpai	9	7
Dolmi	7	7
Katen	5	5
Novostroika	5	3
Gvasyugi	4	4
Solontsovyyi	4	4
Durmin	4	3
Sita	3	3
Bichevaya	2	2
Sidima	2	2
Srednekhorskiy	2	2
Yuzhnyi	2	2
Baza Drofa	1	1
Georgievka	1	1
Kutuzovka	1	1
<i>Total</i>	88	77

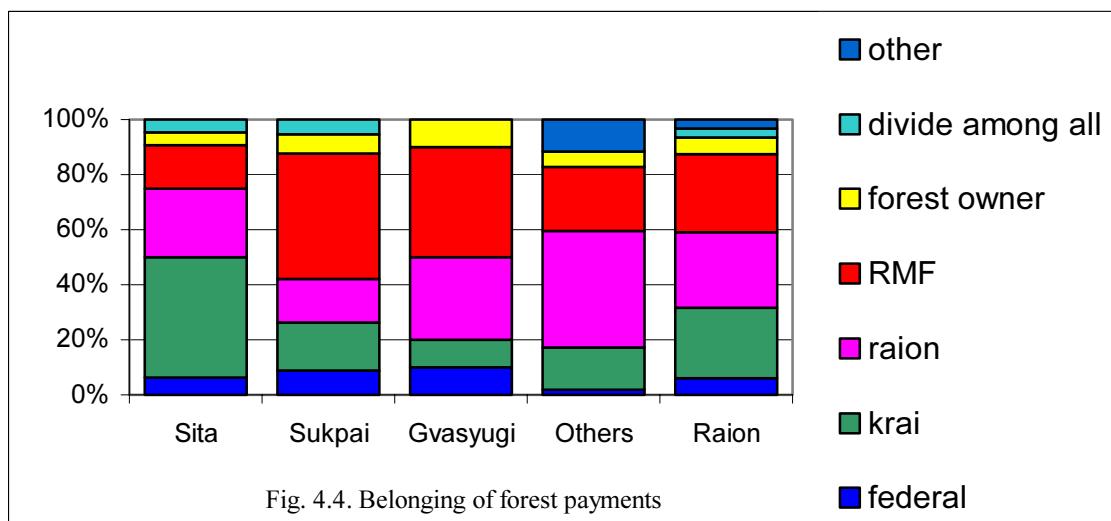
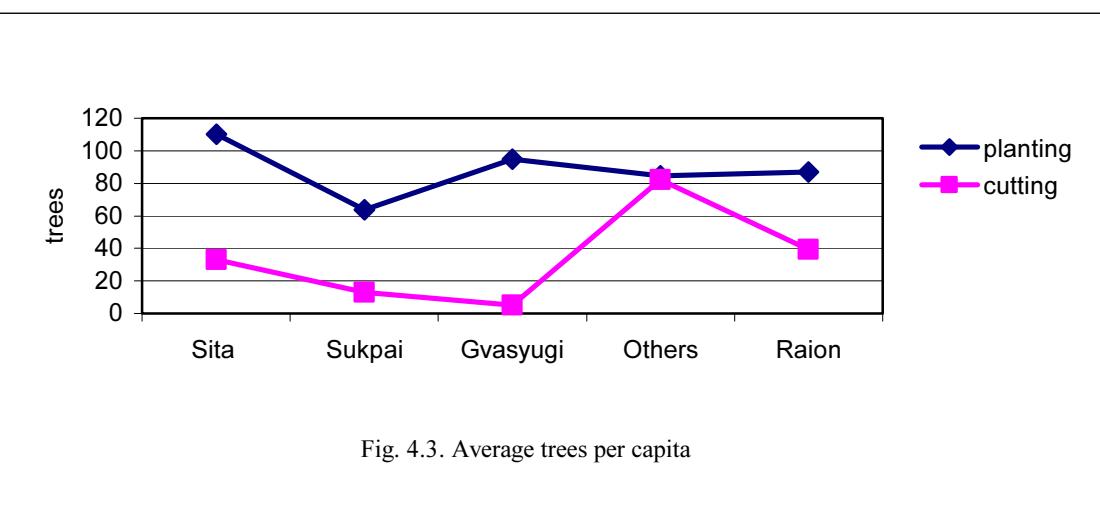
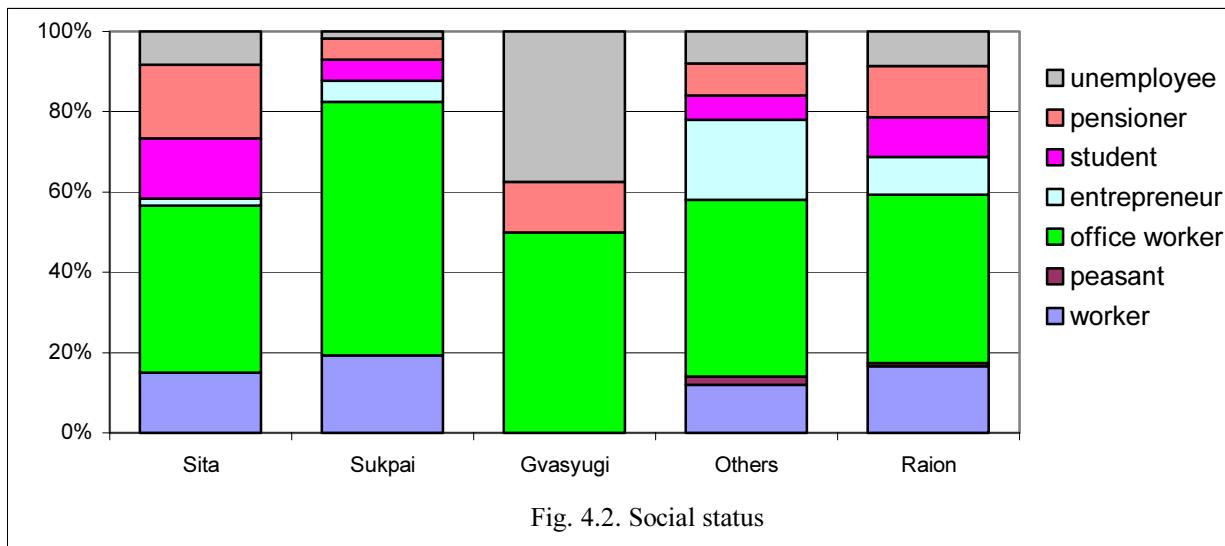
Table 3.4. Development of small forest business

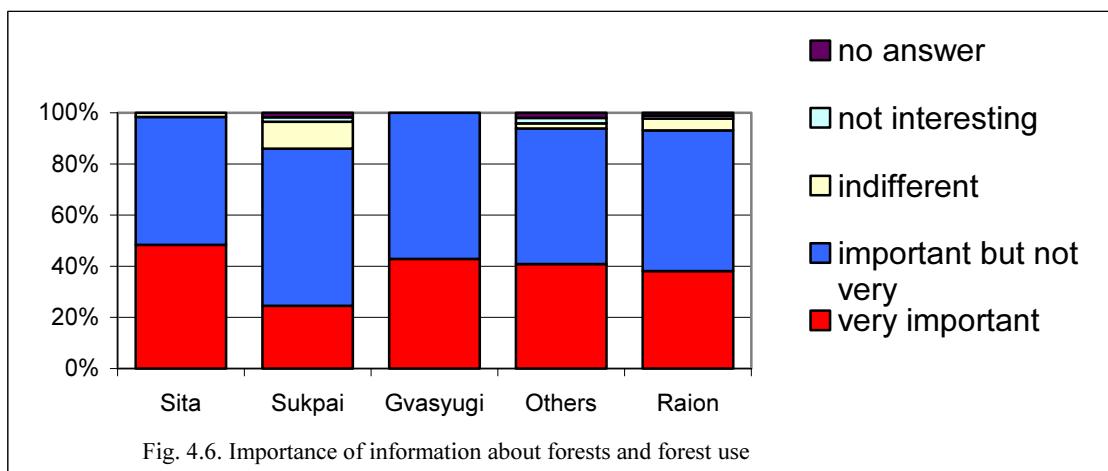
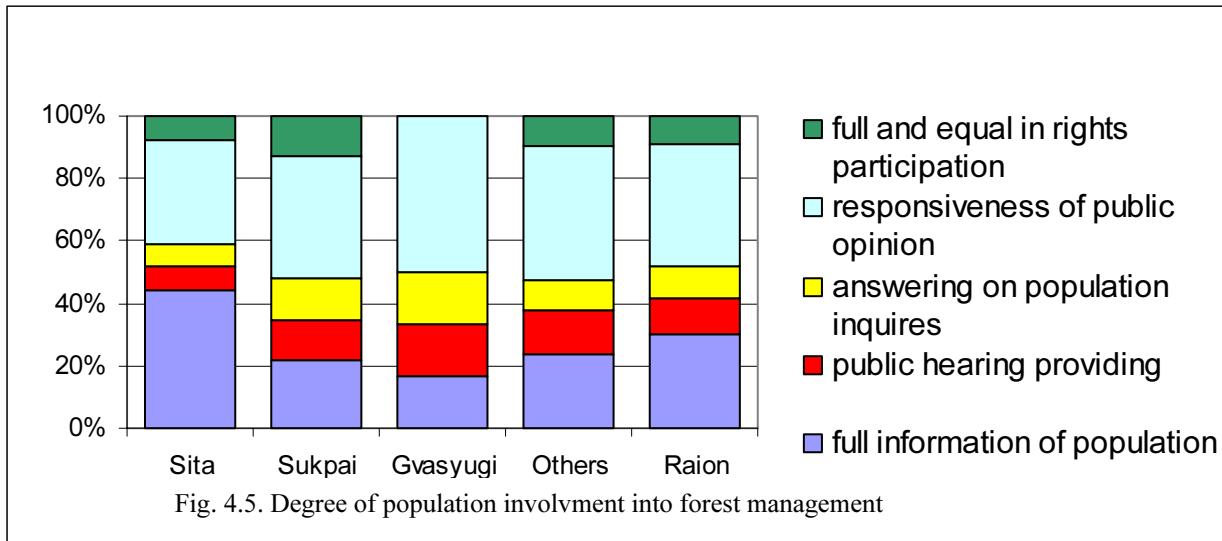
Показатели	1999		2000		2001		
	Output	Share, %	Output	Share, %	Output	Share, %	Growth from 2000, %
Harvesting, thou. m ³	244.8	100	346.6	100	418.0	100	120.6
Of which small business	87.4	35.6	106.5	30.7	115.7	27.6	108.6
Commodity output, mill. rub.	103.2	100	421.2	100	633.9	100	150.5
Of which small business	14.5	14	117.3	27.8	276.5	43.6	235.6
Employee number, person	...	-	2000	100	2015	100	100.8
Of which small business	...	-	780	39	813	40.6	104.2
Sawn wood output, thou. m ³	50.4	100	45.6	100	52.8	100	115.8
Of which small business	1.1	2.2	2.5	5.5	9.9	18.8	396.0

Table 3.5. Production of LLC "Amur", thousand m³

Product	1999	2000	2001
Round wood	4.7	11.0	16.5
Sawn wood	0.2	1.6	1.1







Appendices

Appendix 1. Questionnaire to find public opinion on forest industry development

This questionnaire is in the form of dialog where it is possible. In most cases we ask you only to mark what answer you consider being right. It should be marked in any way: a tick, cross, circle, etc.

This questionnaire is anonymous and that's why we do not ask you to write down your name however we need some data about you.

We hope that answering questions will help you to evaluate your business from the outside and it may be of interest to you.

1. Your sex: male female
2. Your age: (complete years) _____
3. Education: g.c.s.e, A-level, technical college, university
4. Marital status: married, single
5. Have you any additional income over and above your salary (own business, trading, picking, etc.): yes no
6. Is any portion of your income from forest related activities: yes no
7. What percentage (approximately) of your income is from forest: _____

Now we would like to know your opinion on your forest business. You may omit those questions you feel to be irrelevant or commercially sensitive. In your answers you may cite official data from reports or (if you find it possible) to give your own evaluations. We ensure confidentiality and anonymity of your answers.

8. What year your business was established _____
9. What is the origin of your business:
privatized unit newly established
10. What is the organizing-legal form of your business:
state or municipal enterprise
shareholders company of _____ type
individual private business
private entrepreneur
joint venture
enterprise with 100% foreign investments

11. Who had invested your business? If possible, list investors in the table

Investor	Share of the authorized capital stock, %		

12. Type and volume of output during the last three years:

Product	Unit	1998	1999	2000

13. Do you lease any forest lot: yes no

14. If yes, then:

from what year _____

what is its area _____ ha

what are its usable wood stock _____ thou cu m

what is the allowable annual cut _____ thou cu m

how long is term of lease agreement _____ years

15. Volume of your harvested wood in 2000 year _____ cub m

16. What rental you had to pay in the year 2000 _____ rubles

17. Do you have a forest lot for short-term lease: yes no

18. If yes, then:

what is its area _____ ha

what is its usable wood stock _____ thou cu m

19. Volume of your harvested wood in the year 2000 _____ cu m

20. What forest dues you had to pay in the year 2000 _____ rubles

21. What official additional payments (types and amounts) did you make when obtaining the right to harvest wood:

a) _____, _____ thou rubles

b) _____, _____ thou rubles

22. Number of staff employed _____ persons

23. What percentage of your staff are employed from outlying villages _____ persons

24. Average monthly salary of your workers _____ rubles

25. Are there any differences in work and payment between employees from the local villages and those from a distance yes no

26. If yes, then:

what work is usually carried out by local employees _____

their salary is:

above average at the enterprise by _____ %

below average at the enterprise by _____ %

27. What is the value of your main assets of your enterprise (according to accountant's report or your evaluation):

in a total _____ thou rubles

including machines and tools _____ thou rubles

28. What is the degree of your machines and tools wear and tear: _____ %

29. From where and what firms did you purchase your equipment:

a) _____

b) _____

30. To what percentage are the capacity of your facilities used: less than 25%, 25-50%, 51-75%, 75-100%.

31. What is the current demand in purchasing new machines and tools for your business (if possible name the types and marks):

a) _____

b) _____

32. How much money is required for these purchases: _____ thou rubles

34. If your enterprise is involved in wood processing, do you:

use only your own harvested wood;

use your own and purchased wood with the percentage of the purchased wood as _____ %;

work completely with the purchased wood.

35. If you purchase wood, what is the average price _____ rubles/cu m

36. From what firms or in what regions do you purchase wood _____

37. What is the approximate percentage of the species harvested by your firm,

spruce _____ %

fir _____ %

larch _____ %

ash _____ %

_____ %

38. What is the approximate percentage of the species purchased by your firm,

spruce _____ %

fir _____ %

larch _____ %

ash _____ %

_____ %

39. What are average prices of species:

spruce _____ rubles/cu m

fir _____ rubles/cu m

larch _____ rubles/cu m

ash _____ rubles/cu m

rubles/cu m

40. What is your evaluation of the change in the quality of raw material during the recent _____ years (please mark the period of your evaluation):

almost didn't no change; became significantly worse; became significantly better

41. If you marked any changes please indicate what indices they covered:

- a) _____
b) _____

42. What were the prices of your products when they were sold in 1999 and 2000:

Name of product	Unit	1999	2000
	rubles/cu m		
	rubles/cu m		

43. What was the profitability of your product, %:

Name of the product	1999	2000

44. What is the average percentage in your production cost:

labor _____ %

for energy, fuel and lubricants _____ %

for transport _____ %

45. Did you sell your products:

direct to customers; to dealers

46. If you sold your products direct, name the regions of your selling:

- a) _____
b) _____

47. How do you evaluate financial state of your enterprise:

stable; uncertain; potential bankruptcy

48. What was the amount of the investments in your production:

in 1999 year _____ thou. rubles

in 2000 year _____ thou. rubles.

49. How do you evaluate the market for your products:

glut; stable; shortage

50. How important to your business are the following problems:

Problem	Unimportant	Moderate importance	Great importance
Shortage of qualified staff			
High interest rate (on loans)			
Discrimination in raw materials supply			
High credit debt			
High taxes			
Lack of working capital			
Deficit of capital for development			
Difficulties in purchasing raw materials			
Difficulties in purchasing equipment			
Difficulties of selling			
Hostile competition, lowering prices			
Threat of racketeers			
Rising prices for energy, raw materials and just materials			
Administrative obstacles to production			
Excessive control and checking up			
Insufficient laws			
Lack of professional experience among managers			
Lack of experience to work in market conditions among professional staff of your firm			

Problem	Unimportant	Moderate importance	Great importance
Shortage of information			
Other factors not mentioned above (put below)			

51. How do you obtain information on markets, demand, prices (you may mark more than one square):
 personal contacts; periodicals, Internet; purchasing or receiving free specialized reviews compiled by other organizations; on the basis of marketing analysis of your enterprise

52. How do you evaluate prospects in your business development in the nearest future:
 favorable; uncertain; unfavorable

53. Do you have reliable information on currently worldwide certification of forest products: yes no

54. If yes, will you implement certification at your enterprise: yes no

Thank you for your help.

Russian-Japanese project on the forest conservation.

Appendix 2. Questionnaire to find public opinion on population participation in forest management

Answer please!

The Economic Research Institute of the Far Eastern Branch of the Russian Academy of Sciences (Khabarovsk, Russia) jointly with the Institute for Global Environmental Strategies (Hayama, Japan) and in collaboration with Lazo raion Administration carry out questioning of the population to examine public opinion on the issue of preserving and use of the Far Eastern forests. We invite you to participate in questioning and hope for your help.

In majority of the questions below, we ask you just to note, what answer you believe to be right. We persuade you to be attentive and sincere. If a question is followed by a number of responses variants, please, read all of them and after that select and note that (or those) which do for you. Note by any of convenient for you way – a tick, cross or circle and so on. Do not pay attention to three-digit codes, they are auxiliary and are required only for consequent computer processing of the forms.

The questioning is carried out anonymously that is why we do not ask to indicate your name but we want to know some your data.

1. Your sex

001	<input type="checkbox"/> male	002	<input type="checkbox"/> female
-----	-------------------------------	-----	---------------------------------

2. Your age

003	<input type="text"/> complete years _____	004	<input type="checkbox"/> do not want to answer
-----	---	-----	--

3. Do you belong to aboriginal people

005	<input type="checkbox"/> yes	006	<input type="checkbox"/> no
-----	------------------------------	-----	-----------------------------

4. Your education

007	<input type="text"/> elementary school	
008	<input type="text"/> high school	
009	<input type="text"/> college	
010	<input type="text"/> university	

5. Family status

011	<input type="text"/> bachelor	
012	<input type="text"/> have family of _____ persons	

013	no answer	
-----	-----------	--

6. Your social status

014	worker	
015	peasant	
016	office worker	
017	businessman	
018	student	
019	pensioner	
020	unemployed	
021	other	

7. Whom do you consider yourself

022	citizen of the RFE	
023	temporary staying in the RFE	
024	it is difficult or do not want to answer	

8. If you consider yourself as a citizen of the RFE to what number of generation do you belong (insert)

025	to _____ generation	
-----	---------------------	--

9.What is your attitude to the settlement and raion where you live

026	believe, they should be revived	
027	believe, they need to be improved	
028	believe, I should actively participate in their improvement	
029	indifferently	
030	I do not like to live here and want to move to another place	

10. Do you have any income except salary (private business, trading, harvesting and so on)

031	yes	
032	no	
033	do not want to respond	

11. If you get your income from activities related with forest, what is their source

034	work on hiring at a forest enterprise	
035	have my own business	
036	harvest and sell out mushrooms, berries and so on in individual order.	
037	go in hunting	
038	different (write it down)	
039	do not want to respond	

Now we want to know your attitude to forest issues

12. How important is the forest for you personally

040	this is the basis of my well-being	
041	this is an obligatory environment of my life	
042	it gives me additional money and food products	
043	I use it just for recreation and trips	
044	I do not care about it	
045	I do not like it	
046	different (write it down)	

13. In whose ownership should be the forests

047	federal	
048	of krai	
049	of rural municipal formation	
050	of rural community members	
051	private	
052	various	
053	different (write it down)	

14. Do you admit possibility of private ownership in forests introduction

054	yes	
055	no	
056	difficult to answer	

15. In case you answered "yes" to the previous question, how the privatization need to be carried out

057	free for everybody	
058	free only for forest settlement residents	
059	paid, only for residents of forest settlements	
060	paid for everybody	
061	different (write it down)	

16. Who, on your opinion, should get payments for forest use

062	federal budget	
063	krai budget	
064	raion budget	
065	budget of a municipal formation	
066	to the owner of the forest	
067	they should be distributed among all	
068	different (write it down)	

17. How do you evaluate the current situation in use and guarding of forests in your area

069	perfect	
070	good	
071	normal (satisfactory)	
072	bad	
073	very bad	

18. Evaluate factors influencing in greatest extent the forest in your area (1 – the lowest influence, 5 – the strongest influence, you may evaluate several factors)

	1	2	3	4	5
074	legal harvesting				
075	illegal felling				
076	treatment cutting				
077	fires				
078	forest pests				
079	replanting activities				
080	roads				
081	different (write it down)				

19. How do you evaluate illegal logging (write down your estimations in %)

082	they make up _____ % from legal harvesting, and it is a big evil	
083	they make up _____ % from legal harvesting, and do not cause great harm	
084	they are absolutely insignificant and could be not taken into account	

20. How you personally regard those, who log forest illegally

085	this is a crime	
086	this is a violation and it should be fined	
087	do not think it is a serious fault	

21. What, on you mind, should be strategic forests management like (here you may note several answers at a time)

088	to introduce centralized management	
089	to allow management by local authorities	
090	to allow management of local residents	
091	to leave forests in maximum natural condition	
092	to ban commercial use	
093	to develop forests intensively and to use them for further economics reinforcement	
094	to refine and improve forests	
095	different (write it down)	

22. Should the public participate in forests management

096	no, this is professionals' responsibility	
097	yes, obligatory	
098	different (write it down)	

23. In case you answered "yes" to previous question, how profound should be the participation

099	to provide complete information	
100	to carrying out public hearings	
101	to get respond to the inquiring from the public	
102	to take into population opinion mandatory	
103	complete competent participation	
104	different (write it down)	

24. Are you ready to participate personally in improving of forests state

105	yes, only with my efforts paid	
106	yes, even free	
107	no	

25. What you see relations between population and forest firms like

108	firms should support housing communal facilities of the settlements	
109	firms should develop social sphere of the settlements	
110	firms have to establish jobs for local residents	
111	joint ventures of communities and firms need to be established	
112	no need to collaborate with them	
113	different (write it down)	

26. Do you want to get your own forest business and what kind of

114	yes, on the basis of harvesting	
115	yes, on the basis of using mushrooms, berries, etc.	
116	yes, on the basis of servicing recreants in the forest	
117	yes, but at the moment I have no means for that	
118	no	

27. In case you answered "yes" to the previous question, what kind of support you need to start your own business

119	a partner with capital	
120	loan	
121	a supplier of cheap but of good quality equipment	
122	different (write it down)	
123	nothing	

28. How important for you is the information on forests situation and their use

124	very important, very much interested	
125	important, but not very much	
126	do not care about it	
127	not interested in it at all	

29. Name sources of getting information on forest issues (some answers are possible)

128	radio broadcasting	
129	television	
130	newspapers	
131	magazines, books	
132	instructors, teachers, lecturers	
133	relatives, friends	
134	different (write it down)	

30. What source of information on forest issues you consider as the best (several answers are possible)

135	radio	
136	television	
137	newspapers	
138	magazines, books	
139	instructors, teachers, lecturers	
140	relatives, friends	
141	different (write it down)	

31. Do you need information on forest sector situation additionally to the mentioned above

142	yes	143	no
-----	-----	-----	----

32. In case you answered “yes” to the previous question, what kind of additional information you need (write it down)

144	
145	
146	

33. How often you visit forest

147	several times per week	
148	1-2 times per month	
149	several times during a year	
150	practically do not visit	

34. In case your previous answer was positive, what is the reason of your visiting forest

151	production activities	
152	harvesting of wild growing vegetables, mushrooms	
153	hunting, fishing	
154	recreation, tourism, sport	
155	different (write it down)	

35. Is it reasonable to organize special forest upbringing of the population

156	yes	157	no
-----	-----	-----	----

36. At what groups should be targeted the upbringing (several groups could be noted)

158	preschool kids	
159	schoolchildren	
160	young people as a whole	
161	only adults	
162	all the population	
163	different (write it down)	

37. What forms of upbringing you recommend (several groups could be noted)

164	lessons in classes	
165	lectures in auditoriums	
166	lectures via mass media	
167	vision aids	
168	movies and video films	
169	via fiction	
170	different (write it down)	

38. What do you think about attraction personnel from other regions in Russia to work in the forest

171	believe it is not right	
172	believe is not desirable but inevitable	
173	approve	
174	indifferent	
175	different (write it down)	

39. What do you think about attraction personnel from other countries to work in the forest

176	believe it is inadmissible	
177	believe it is not right	
178	believe is not desirable but is inevitable	
179	approve	
180	indifferent	
181	different (write it down)	

40. How many trees have you planted in your life

182	some hundreds	
183	some dozens	
184	some trees	
185	not a single	

41. How many trees have you cut in your life

186	some hundreds	
187	some dozens	
188	some trees	
189	not a single	

Thank you for the answers!

MAP 1