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Sakhalin Indigenous Minorities
Development Plan (SIMDP)

Analysis
of Traditional Economic Activities
of Sakhalin Indigenous People

DISCUSSION PAPER FOR PREPARATION
OF SECOND SIMDP (2011-2015)

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Foreword

to the first version of the discussion paper

This discussion paper has been created solely for applied purposes being part of working materials in the framework of the Second Sakhalin Indigenous Minorities Development Plan preparation.

This analysis does not pretend to cover the topic of traditional economic activities of Sakhalin indigenous people in full.

This analysis is not the position of Sakhalin Energy regarding the issues considered in the text.

The author of the text will consider its task completely fulfilled if this document while thinking about the design and composition of the SIMDP II would stimulate discussions about ways of development of the traditional economic activities and making them more efficient.

One of the most important components of the First Sakhalin Indigenous Minorities Development Plan has been the Traditional Economic Activities Support (TEAS) Programme.

The years of work yielded significant results. It goes without saying, however, that contribution to sustainable development of indigenous traditional economic activities will be further viewed as one of the top-priority tasks under SIMDP II (to be developed in 2010 and to take effect from 2011).

To further enhance the efficiency of TEAS programme under SIMDP II, it is important to analyse the current situation in indigenous traditional economic activities and to discuss possible recommendations.

With only some exceptions all information in this document has been received from the Sakhalin indigenous people.

The methodology of how this analysis has been prepared has much in common with the *participatory research* methodology. The latter is based on the assumption that the opinions of stakeholders should be of key importance for identifying and formulating problems and for identifying possible solutions.

The *participatory research* methodology has its limitations and drawbacks but have important advantages. It allows:

- Using knowledge and skills that indigenous people possess about the economic activities they are traditionally engaged in for decades and centuries.
- Understanding how indigenous people themselves see possible solutions to the issues they face in traditional economic activities.

It is evident that if these or those possible solutions are being already discussing in indigenous communities then the necessary changes could be implemented with more readiness from the side of communities.

What is not less important, the *participatory research* methodology contributing to involve indigenous people into decision-making complies with the main principles of the Sakhalin Indigenous Minorities Development Plan where indigenous people are the majority in its governing bodies.

Best regards,

Oleg Bazaleev, PhD in Social Sciences

Main Traditional Economic Activities

of the Sakhalin Indigenous People



Reindeer Herding

1. Reindeer herding is currently present in the Nogliki District only: reindeer herders (Uilta and Evenks) reside in the village of Val.
2. Only several families are engaged in reindeer herding, and their activities are not legally formalised. According to the reindeer herders, as of December 2009 the livestock number is equal to 169 reindeer (including 51 she-deer and 39 calves).
3. Under present conditions, the “informal” nature of Sakhalin reindeer herding helps decreasing costs and expenditures. This is one of the main reasons why these activities have not stopped but continue in the same way as it used to exist decades and centuries ago.
4. There are also some (probably occasional) instances of “unofficial” economic activities related to hunting for wild reindeer and sale of their meat.

If the existing trends continue, reindeer herding in Sakhalin is unlikely to become cost effective

5. According to reindeer herders, reindeer slaughter for sale will only be possible if their number increases to 1,000, which is hard to achieve in today’s conditions
6. Besides, there are doubts that the mere possibility of reindeer slaughter for sale will provide reindeer herders with revenue. Since 1995, the village of Val has no reindeer farm as a legal entity (at least, in a viable form); there is no facility for deer meat processing and packing; and there are no sales channels for finished products.

7. Even if these problems were solved, the Sakhalin reindeer herding products would face severe competition offered by the Siberian reindeer herding regions (with this, reindeer herding product supply in Russia exceeds the demand many times). Moreover, production of reindeer herding products in those regions is subsidised, and such regions have the required production facilities and sales experience. By the way, deer meat products from one of the Siberian regions could be found in Yuzhno-Sakhalinsk supermarkets.
8. Competent international research *Sustainable Reindeer Husbandry* (Arctic Council, 2000–2002)¹ analysed the status of reindeer farming worldwide and indicates that the so-called taiga reindeer herding, where only few reindeer are available (like in Sakhalin), can only achieve cost effectiveness if reindeer herding is highly intensive.
9. High intensity implies not only the mass production of deer meat with guaranteed high quality, but also processing and sales of other products (skin currying, production of biological substances from blood, tonsils, etc).
10. Obviously this cannot be achieved in the conditions of Sakhalin. Even if an appropriate material and technical base were established, any profitable production would be impossible without large number of reindeer.
11. If economic effectiveness data results of the *Sustainable Reindeer Husbandry research* are extrapolated to the Sakhalin situation, it becomes clear that Sakhalin reindeer herders would have to slaughter at least 1,000 reindeer every year just to achieve breaking-even.

¹ Jernsletten J.-L., Klokov K. *Sustainable Reindeer Husbandry*. University of Tromsø, 2002.

At the same time, reindeer herding is important in terms of preservation of ethnic identity: it is more of a way of life for local communities rather than a cost-effective business

12. It is also very important that, according to a number of scientists, the Uilta words and notions most frequently used in daily life are related to traditional reindeer herding (because such words have no Russian equivalents). Reindeer herding is important in terms of preservation of cultural heritage and, what is most important, in terms of indigenous peoples' self-identification as successors of original culture.

Recommendations

- I. Reindeer herding is an activity that **preserves ethnic identity**, and is a core of everyday life of Uilta and Evenks, and as such it **needs support**.
- II. This should be a **social support** rather than doomed-to-failure attempts to make reindeer herding in Sakhalin a profitable and cost effective business.

Important Remark

It should be noted that many of Sakhalin indigenous people (including not only representatives of the Uilta and Evenk traditionally engaged in reindeer herding) are convinced that the Sakhalin reindeer herding should and can be restored in the form that existed in the 1960–1970s (with deer population of several thousands). They believe that this goal can be achieved through a large-scale government support like the one they enjoyed in the Soviet period.

This idea exists despite the fact that the collective reindeer farming of the south Uilta community was terminated in the Soviet years, whereas the number of reindeer in the Sakhalin north reindeer herding area, too, started to go down in the 1980s.

The very fact that the idea about the possibility and necessity to increase the Sakhalin reindeer herding scale is so popular **testifies to the important “ethnic identity” function** of this economic activity and serves as an argument **to support this activity**.

Commercial Fishing

The purpose of this document is to review the traditional economic activities from the viewpoint of whether they can be useful and profitable for a fairly large number of people.

That is why self-subsistence fishing (which is critical for many of the Island's indigenous population) is not reviewed.

13. Fishing involving non-salmon fish (navaga, sparring, flatfish, Pacific capelin, redfin, burbot, pike, goby) and salmonids (mostly humpback salmon and chum) is the main profile of economic activity among most of the Sakhalin indigenous tribal enterprises.
14. Fishing gives most of jobs (permanent and seasonal) among all types of traditional economic activities pursued by Sakhalin indigenous people.

Fishing is the most profitable traditional economic activity of the Sakhalin indigenous people

15. Today, fishing involves more than 40 indigenous tribal enterprises and communities. Any reliable data on really operating organisations are hard to collect as some of the officially registered enterprises and communities do not actively work in this field (according to estimates, the number of such enterprises may reach 15–20% of the total number).

16. Most of fishing enterprises are located in the Nogliki, Okha and Poronaisk districts (about 10 enterprises in each municipal district), with some more enterprises located in the Alexandrovsk–Sakhalinsky and Tymovsk districts.
17. There exists quite a widespread opinion that some of tribal enterprises formally registered as SIM-established enterprises are not actually controlled and managed by Sakhalin indigenous representatives.
18. In theory, it is clear how IP-owned enterprises could increase, in many times, their revenue from fishing activities. This involves the possibility of involvement in the whole production and sales chain:
 - extraction of biological resources (fish, caviar);
 - processing;
 - transportation to the sale markets; and
 - sale to consumers.
19. Yet, this way is almost impossible to use in the nearest future.
20. 'Management of access' to this production and sale chain (especially to its final links such as sales which ensure most of profit) involves most serious financial, administrative and other resources.
21. Though this issue is typical for the most of the Sakhalin fishing enterprises (not only those run by IP).
22. Indigenous tribal enterprises experience major difficulties related to low level of production facilities and competitive ability.
23. Production facilities of almost all tribal enterprises have been established 'from zero', and this accounts for a generally low level of their material and technical outfit. There have been only two cases (in the Poronaisk and Okha districts) where IP enterprises could use the material and technical resources left from the Soviet fishing enterprises.

24. High profitability of salmon fishing in Sakhalin renders this business attractive for major business structures from various regions of Russia. Such structures have no problems with material and technical outfit for this business, thus moving the tribal enterprises to initially disadvantageous position.
25. Some of the IP enterprises, however, do have processing facilities in Sakhalin or use (in exchange for part of their product) the processing facilities owned by non-IP representatives. In other words, this category of enterprises has a chance to participate in the production chain 'extraction of biological resources—processing in Sakhalin'.
26. Many enterprises are engaged only in fishing and sale of raw fish and caviar to the sub-purchasers.
27. Enterprises having their own processing facilities (or access to other party's facilities), too, sometimes sell raw biological products to the sub-purchasers so as to minimise risks, get money immediately, etc.
28. Absence of the required number of refrigerators (allowing for long-term storage of fish and caviar) and processing facilities often causes IP enterprises to sell their products rapidly to the sub-purchasers at a cut price.
29. According to the official data, about 70% of SIM enterprises and communities have no fishing plots (grounds). This is explained by the fact that the fishing plots were allocated in the early 1990s and all suitable grounds were distributed among those IP enterprises which existed at that time. As a result, new IP enterprises have no their own fishing grounds.
30. An owner of fishing grounds is able to do business even if such owner does not carry out his/her own economic activities. He or she can receive official or unofficial rental fees from the official or unofficial lease of his/her grounds to real users.
31. It is logical to ask a question if facilitation and arrangement of dialogue among IP representatives regarding a fairer use of such grounds could be reasonable. It seems that this issue can hardly be solved through talks for the following reasons:
 - There exists a serious financial interest of those who have been doing this kind of 'business' for years; and
 - IP representatives are not always the real owners and managers of tribal enterprises and communities, and this fact significantly reduces the chances for consensus on the basis of common understanding of fairness among indigenous people.
32. There is a hope that this issue could be resolved administratively (through involvement of administrative governance bodies).
33. While arranging and planning of economic activities in commercial fishing there is a considerable difficulty that its legislative framework undergoes significant changes almost every year.
34. Activities were started in 2008 as part of Sakhalin Salmon Initiative for the so-called certification of salmon fishing enterprises according to international standards of 'sustainable fisheries'. If the Sakhalin enterprises pass the certification successfully, large international trade networks show interest in direct purchases of salmon from such enterprises.
35. If Sakhalin indigenous people are involved in this process, they can significantly increase their revenue from fishing activities in future.
36. Yet, certification is a complex, long-term process (the initial practical outcomes for Sakhalin under Sakhalin Salmon Initiative are not expected until 2011).

Recommendations

III. Listed below are the measures which seem to be substantiated for the purpose of enhancement of economic sustainability and independence of IP fishing enterprises:

- **General improvement of material and technical base;**
- **Establishment of refrigerating facilities** to allow an extended storage of fish and caviar and to avoid the need of selling produce rapidly at a low price; and
- **Establishment and development of processing facilities.**

IV. Attention should be paid to the **promising developments in fishing** (e.g. situation with certification) because such measures may later significantly change situation in the fishing industry.

V. Taking into consideration that the legislative framework in commercial fishing undergoes significant changes almost every year it is critically important that Sakhalin IP leaders and the heads of tribal enterprises and communities should rapidly analyze the current status of fishing legislation, understand the consequences of changes and timely come up with their initiatives and proposals

Collecting and Processing of Wild Growing Plants and Forest Products

37. Gathering of berries (cloudberry, blueberry, red bilberry, cranberry and blackberry), mushrooms, nuts and other wild plants (wild leek, fern, burdock, butterbur, medicinal plants, etc.)² is an integral part of life for many Sakhaliners, but for indigenous peoples it is of special importance.

38. In the countryside, especially in the central and northern Sakhalin, all these products serve as important additional sources of food and revenue for many households.

39. According to official data, today in Sakhalin people gather wild plants in the quantity not exceeding 10% of the quantity that can be gathered without damage to nature.

Sakhalin has big resources for gathering and processing of wild plants

40. Theoretically, gathering of wild plants can provide a relatively high level of seasonal (temporary) occupation for Sakhalin indigenous people.

² We will use the term "wild plants" for all of the mentioned non-timber forest products.

41. Today, Sakhalin has only two IP enterprises actively engaged in gathering and (partly) processing of wild plants and non-timber forest products. This type of activity is also carried out by non-IP entrepreneurs.
42. This type of economic activity brings much less profit than fishing. On the other hand, thus this business is expected to be less competitive for the same reason.
43. As a rule, IP representatives have knowledge and skills as to where, when and how to gather wild plants, which gives them a competitive advantage.
44. It seems there is an undeveloped sales market of wild plants and other non-timber forest products both in and outside Sakhalin.
45. At the same time, this business may require additional efforts to bring these goods to the markets (development of sales network; marketing; proper packing; and labeling/decoration explaining in some cases the valuable features of unknown product, etc).
46. Availability of processing or packing facility is crucial for this type of economic activity. Unless a processing or packing facility exists in this or that community, local people have no economic incentive to gather wild plants: these either cannot be sold for lack of buyers or are sold at a minimal price.
47. Being a kind of food production, processing of wild plants and other non-timber forest products requires significant efforts for arrangement of production and obtaining of applicable permits and licences. Most of enterprises have never gone through certification of wild plant processing (though they have an experience of getting quotas and licenses for fishing).

Recommendations

- VI. **Support in establishment of new facilities** (workshops and enterprises) for processing (packing) of **wild plants and non-timber forest products** will contribute to seasonal occupation of indigenous people and economic development of IP enterprises.

This type of production activity belongs to rather complicated (from the point of view of permits) food production; and is new to many IP representatives. In this view it would be reasonable to carry out **additional trainings** on how to arrange such production, on certification requirements, etc.

- VII. In view of specific selling features of wild plants there may be an objectively low demand for this kind of product (often unfamiliar, unusual and unclear to the consumers as contrasted with fish and caviar).

An important task will therefore be to ensure that businessmen from among IP should go **through additional training to acquire the skills of promotion, advertising and marketing** of the goods on various markets.

- VIII. An alternative solution may involve a **"centralized" promotional support** of SIM-produced wild plants on various sales markets using **advertising, marketing and other strategies** (as one of the aspects of SIMDP).

Sustainable Development Issues (Non-Depleting Use) During Gathering and Processing Wild Plants

48. IP representatives emphasize the following risk: development of active gathering and processing of wild plants and other non-timber forest products may adversely affect the traditional gathering locations and, consequently, the people.
49. Gathering wild plants is governed by the RF Forestry Code and by other federal and regional laws. According to the Sakhalin Oblast laws, one person is allowed to gather, for personal (non-commercial) use, 10 kg of each type of berries; 20 kg of each type of mushrooms; and 10 kg of other wild plants. It is prohibited to gather the species listed in the Red Book and the endangered species.
50. Actual situation is as follows: in the countryside, control over use of these types of local resources is either not exercised or significantly impeded.
51. This is because wild plants are widely spread and are of little value as compared to other natural resources (mineral resources, water biological resources, etc.). Yet, loss or depletion of such resources may greatly affect local communities.
52. It is characteristic that the popular places used for gathering of berries, mushrooms, fern, etc. are usually not marked in geographical maps. Moreover, people sometimes do not view them as 'resources' although such resources are used actively.

53. It is obvious that in case of arrangement of 'big scale' buying of wild plants from people along with processing of wild plants without having prior discussion of possible adverse effects with the local community and without observing the principles of sustainable development, this may apparently endanger local resources of wild plants and other non-timber forest products.

Important Remark

Sakhalin reindeer herding (at least with the existing quantity of domesticated reindeer) cannot in principle cause damage to nature. When it comes to fishing, use of water biological resources is subject to strict quotas and control by the state.

Gathering and processing of non-timber forest products **may cause damage to the environment**. For objective reasons, however, control in this field is viewed by the state as a lower-priority task as compared, say, to control over water biological resources.

If gathering and processing of wild plants are developed as traditional economic activity, then the **main condition** for this should be **to ensure a non-depleting use** of these natural resources.

54. It is necessary to discuss and shape general understanding among local people and local governmental authorities as to what 'sustainable development' means for the specific environment.
55. In particular, steady demand may result in excessive gathering (thus damaging traditional gathering places). Or, people may use gathering technologies which result in depletion of and damage to berry-fields, etc.
56. Some time ago a number of communities found themselves in a situation where hand gathering of wild plants was replaced by more 'effective' technologies (in terms of volume of gathered forest products per unit of time) such as use of 'scrapers' and other mechanical instruments. This resulted in essential damage to plants and, consequently, to the traditional gathering places. Following the discussions in the local communities, decisions were eventually taken to prohibit this kind of technologies.
57. Local communities may have unofficial, yet binding agreements as to which methods can or cannot be used for wild plant gathering, which gathering places should be used, etc. Yet, the enterprises (including those managed by indigenous people) engaged in gathering and processing of wild plants might certainly have much more influence in local communities than individuals. One cannot be certain that the enterprises will be ready to follow unofficial regulations (i.e. those which do not exist from the legal viewpoint).
58. The most popular places used for traditional gathering of wild plants may be located at different distances from a given community. If the big scale gathering of wild plants in the interests of an IP tribal enterprise or not IP enterprise is done based on the principle 'the closer—the better' (i.e. the cheaper), it may adversely affect those local community members who are least protected from the social viewpoint. They will no longer be able to gather berries, mushrooms, nuts, etc. in remote places for the absence of vehicles and will thus lose an important source of food and revenue.
59. It should be mentioned that the preferable solution would consist in that business arranges the entire 'production chain', starting from hire of employees involved in gathering of wild plants.
60. In this case, business will be directly accountable for removal of wild plants, will obtain the required permits and will make the required payments. What is even more important is that the volumes of gathered wild plants will be undergoing expert evaluation by the corresponding state bodies, which may help to prevent depletion of resources³.
61. Besides, it is easier to reach an agreement with an entrepreneur that he/she will transport his/her gatherers several kilometers away from the village than to appeal to the conscience of local residents gathering berries for subsequent sale.

³ Yet, even in this case we should not underestimate the importance of risk assessment and resource mapping at the local community level. It may be of no importance to the state bodies whether the permitted 5 tons of berries were gathered at 1 or 10 km from the community, but this may be quite important for locals.

62. Establishment of wild plant reception points may be widely supported by local people (because this will create important and necessary sources of revenue in absence or lack of other jobs). But it is important to understand that this may give rise to prerequisite for blaming local people for illegal activities. Besides, this will objectively increase the risk of depletion of local nature resources.
63. Businessmen establishing wild plant reception points may be blamed for encouraging local people to breach the law by gathering wild plants for commercial benefit.

Recommendations

- IX. During early phases of establishment of new businesses for reception and processing of wild plants in communities, it is necessary **to evaluate the associated risks for local wild plant resources and arrange an appropriate discussion** with involvement of local public, local administration and, if required, representatives of supervisory bodies.
- X. A useful tool could be used in the form of **mapping local resources** (most important places used for gathering of berries, mushrooms, nuts and other non-timber forest products), **coupled with decision-making** (at local public meetings, etc.) as to which places can be used for 'commercial' gathering, and which places should be allocated solely for family and community needs.

Hunting and Sea Mammals Hunting

64. Forest hunting (fox, hare, squirrel, otter, sable) and sea hunting (ringed seal, largha seal, ribbon seal and sea lion) are important for a certain part of Sakhalin indigenous people primarily as sources of food for personal consumption (e.g. seal meat and liver) and as activities significant for preservation of ethnic traditions.
65. Many of indigenous fishing tribal enterprises are reportedly involved, to a minor extent, in sea hunting for the needs of community.
66. The volumes of hunting/sea mammals hunting products involved in economic barter or come to markets are minor.
67. There are also some sporadic reports insisting that some of hunting/sea mammals hunting products were successfully sold to other regions or countries, although in small quantities.
68. Yet, general demand for hunting/sea hunting products is quite low, being neither systematic nor predictable.

At present one cannot insist on importance of hunting/sea mammals hunting in Sakhalin as the types of economic activity being significant for any large number of indigenous people

Ethnic Tourism

69. There is no ethnic tourism at present in Sakhalin
70. Opportunities for ethnic tourism in Sakhalin are much less pronounced than in many other regions of the RF Northern Siberia and the RF Far East for a number of reasons:
 - Remote location of the Island from the European part of Russia;
 - Remote location of indigenous people communities from the regional capital Yuzhno-Sakhalinsk;
 - Unlike other regions, Sakhalin has no 'material' cultural monuments that could attract tourists and be perceived as IP cultural artefacts (e.g. like the ancient art monument 'Petroglyphs of Sikkachi-Alyan' (in the mainland Russian Far East)); and
 - Unlike other regions, Sakhalin has no ethnographic villages and ethnographic sites to demonstrate the way of life associated by tourists with indigenous people. We mean the possibility to visit, in one location, traditional people dwelling places; to see dogs-drawn sledges, items of traditional culture, and to listen to traditional songs, etc.
71. According to the draft *Strategy of Social and Economic Development of Far East and Baikal Region for the Period Until 2025*, the Russian Federal Government plans to increase the competitive ability of the so-called 'key recreational zones' (Lake Baikal, the Amur River basin, Primorye region, central part of the Yakutia Autonomous Republic) by subsidizing the airline companies making flights from the European part of Russia.

72. Sakhalin is not listed among such 'key recreational zones' of the RF Far East. This will mean that the attractiveness of Sakhalin tourism as compared with the other regions is likely to go down even more.

Establishment and permanent maintenance of the full tourist infrastructure is very expensive and could hardly be implemented by indigenous communities and tribal enterprises

73. It is unlikely that ethnic tourism becomes developed in Sakhalin and brings stable benefits to the indigenous population if the relevant infrastructure is not established and been constantly maintained.

74. Yet, we cannot exclude a theoretical possibility that the administrative authorities while preparing and implementing municipal tourism development programmes (this process has been started in the Sakhalin Oblast), may help to create tourism infrastructure in the northern Sakhalin. Part of its development benefits may reach indigenous people (e.g. participation of IP folklore bands).

Important Remark

However, it should be mentioned that the relatively small Sakhalin IP community currently has **several fully developed projects** for various northern Sakhalin districts (including budgets, calculations of return on investment, etc.) describing establishment of ethnographic villages to serve as sight-seeing objects for tourists.

Unfortunately, for existing conditions the forecasts for number of visitors seem to be unrealistic. These projects, if implemented, cannot be viewed as business projects.

At the same time, the unexaggeratedly enormous work done by preparing these projects, coupled with the number of such projects, prove once again that Sakhalin **indigenous people are really proud of their historic and cultural heritage and are ready to preserve it.**

Manufacturing of Applied Decorative Art

75. Manufacture of applied decoration art objects involves very few of indigenous representatives, while the number of products is extremely limited.
76. The pieces of applied decorative art are normally purchased either by the visitors of the Sakhalin Oblast or by those who prepare 'exclusive' gifts for the guests of the Island.
77. In the nearest future, the Sakhalin applied decorative art objects related to indigenous people are unlikely to enjoy any good sales outside Sakhalin.

On the one hand, this is explained by relatively high prices for such products in Sakhalin (for example, higher than the prices for a number of similar goods offered in some of Moscow airports or in Hokkaido Island, Japan).

On the other hand, Sakhalin indigenous applied decorative art have a number of unique and authentic features (like production of art objects from fish skin). An average person, however, may find it preferable to buy a different kind of ethnic souvenirs (carved bone products, metal items, etc.) presented in the art of indigenous people in some other regions of Russia (e.g. in Chukotka).

78. Limited demand (primarily inside Sakhalin) for applied decorative art objects accounts for the fact that big volumes of production are not necessary.

79. Today's craftsmen have no worthy successors, and this gives rise to the risk of loss of traditional applied decorative art of Sakhalin indigenous people in future. This trend may have a number of reasons.
80. First, any gifted and talented indigenous people who show aspiration for applied decorative art are objectively not commonly appear in the relatively small Sakhalin IP community.
81. Second, the required material and technical base for applied decoration art may not be in place.
82. Third, applied decorative art (in view of a limited demand) is not viewed as something that guarantees high revenue and steady occupation. In this view, young people may probably not feel like learning applied decoration crafts.
83. Anyway, a large number of indigenous people who have been trained in the specialised St. Petersburg State University of Technology and Design are currently not engaged in applied decoration art.
84. Yet, there are some grounds for a cautious optimism because in the recent years some IP craftsmen have obtained and prepared premises (with the help from local administrations, using grants or their own money) which are currently used as workshops and studios, and such craftsmen have apprentices.
85. In the Soviet times, the way to professional maturity in the applied decoration art normally included training in a specialised educational institution outside Sakhalin (as a rule, in Leningrad). Indeed, this way was walked by all of the recognised Sakhalin craftsmen working today.

86. No doubt, training in the specialised higher education institutions is most important when comes to the development of talent of those who show aptitude for applied decorative art.

Today, however, a novice craftsman already deriving a significant revenue from his work may find it economically unreasonable to go through a multiyear training outside Sakhalin and face an apparent downgrading of his/her status (to a student) and decrease of revenue. The experienced craftsmen, too, will not be happy to let their apprentices go for a multiyear training on condition of guaranteed employment upon return.

87. On the one hand, it would be reasonable in this situation to arrange specialised short-term courses in design and technology (on-the-job training or the training with a minimal break from work) for apprentices and employees working in IP applied decorative workshops in Sakhalin.

Some time ago there was successful experience of this kind, with a series of training workshops arranged by the Sakhalin Oblast Teacher's Institute for Higher Qualification.

88. On the other hand, if talented IP representatives with outstanding abilities in applied decorative crafts wish to be trained in specialised higher education institutions outside Sakhalin, they should receive adequate support and motivation (including financial incentives).

This could be achieved, say, through awarding a special scholarship.

If the existing trends continue, manufacturing of applied decorative art objects will remain to be the source of revenue for only very few representatives of Sakhalin

Recommendations

- XI. Discussions should be held with all stakeholders (craftsmen, apprentices and educational institutions) as to a possible arrangement of specialised **short-term courses in design and technology (on-the-job training or the training with a minimal break from work)** for apprentices and employees working in IP applied decorative workshops in Sakhalin.
- XII. Talented IP representatives with outstanding abilities in applied decorative crafts should **be supported for a continued training in specialised higher education institutions of Russia.**



Motivation for Decorative Applied Crafts: Possible Solutions

If there are talented people among Sakhalin indigenous people, showing outstanding abilities in applied decoration crafts and wishing to be trained in specialized higher education institutions outside Sakhalin, such people should be supported and motivated.

How should it be done in the best way?

- There could be one specialized scholarship to be granted solely to a student with outstanding abilities.

There should not be perceived as an issue if such scholarship has not been granted to anyone for years (for the absence of relevant candidates).

- To exclude any prejudice and any use of this scholarship as a 'social support' for the disadvantaged, candidates should be selected by competent professors of higher education institution (on the basis of competition or otherwise).

- How to ensure that the yesterday's student does not quit the decorative crafts upon completion of training?

Of course, it would be logical to stipulate in the agreement that the student is obliged to work in Sakhalin in the field of applied decoration crafts for a certain number of years (for example, 5 years). But one should not exaggerate the importance of this provision. There will always be more than enough grounds to challenge this provision (including through legal action): lack of sufficient material base for working in decoration art, low wages and many other reasons.

- It seems to be reasonable to use the following approach. Provision could be made for additional incentives (additional payments on top of the specialized scholarship, or increase of the amount of scholarship) for achievements in applied decoration creativity work during the training (participation and victories in exhibitions, contests, etc).

This kind of motivation will objectively mitigate the risk of the student's withdrawal from applied decorative crafts upon graduation and will enhance his or her confidence in his/her capabilities.

Other Important Aspects

of Traditional Economic Activities of Sakhalin Indigenous People



Other Aspects

This section describes a number of questions being important for the understanding of the context in which IP traditional economic activities exist. The issues and questions have been selected for review based on the understanding of **what issues can be discussed or solved** under Sakhalin Indigenous Monitories Development Plan.

For example, the Concept of Sustainable Development of Indigenous People of the North, Siberia and Far East⁴ correctly indicates that **"the low competitive ability of traditional economic activities [of Indigenous People of the North] is conditioned by small production output, high transportation costs, absence of state-of-the-art enterprises and technologies for integrated processing of raw products and biological resources"**.

However, solution of the issue of high transportation costs (e.g. through construction of roads) is the competence of the authorities. The issue of small production output in some regions of the USA and Canada has been reportedly overcome with involvement of indigenous people's associations through a coordinated sales policy. Likewise, this problem should be resolved by IP associations, but not by social and economic development plans like SIMDP.

Availability of Premises Used for Production

89. Most of tribal enterprises (especially when it comes to the expansion of their businesses by adding production facilities) experience problems with availability of production premises that would meet sanitation and hygienic requirements.
90. The premises owned by IP are unsuitable for use as production premises. There are no municipal premises available for this purpose either.
91. Capital construction takes time (from the viewpoint of allocation of land plot, obtaining all approvals required, etc.) and money (especially in view of the problems with transport accessibility and high prices for construction materials in Sakhalin). Moreover, in traditional economic activities no one can guarantee the return on investment in the processing facilities.
92. It is also important that if the business is not a success the owner will hardly be able to sell the capital building to compensate for a part of the costs incurred (because no one else will need such a building).
93. Procurement of modular premises for production purposes looks as the most realistic solution.

Recommendations

- XIII. Use of **modular production premises** (instead of capital construction) seems to be a preferable solution

⁴ The *Concept...* was approved by the Russian Federal Government, Federal Law No. 132-p of 04 February 2009.

General Management and Accounting

94. In general, tribal enterprises experience serious difficulties for lack of business skills and overall accounting and legal support of their activities.
95. Indigenous people often experience difficulties with legal registration of IP community ('obshchina') or tribal enterprise. The main reasons for this include the remote location from towns where registration could be formalised, lack of time/money for travel (in Russia, such efforts normally take more than one trip), and lack of experience of many indigenous people in the administrative, paper work.
96. The level of management in IP-established organizations is often insufficient. Typical evidence are the cases of a forced liquidation of IP communities on the initiative of the state jurisprudence institutions and other state bodies for identified breaches, tax issues, failure to submit the required reports/statements, etc. This tendency has been observed with quite a number of communities.
97. Tribal enterprises and other organisations and associations of indigenous people lack information on changes in legislation, accounting rules and practical guidelines on how to use these or those legislation acts in everyday economic activities.
98. Some forms of IP organizations are eligible for allowances and preferences, but these have to be formalised properly which requires specific accounting skills.
99. This is especially topical in view of the changes in the federal legislation about non-profit organizations (such as IP 'obshchina') toward more allowances and privileges.
100. Specialised practical workshops for accountants are held in Sakhalin, but they take place in towns (far away from the areas of traditional economic activities) and often at the time when tribal enterprises have a lot of work to do.
- Only few of IP organizations are ready to pay fees for participation of their employees in such workshops.
- Finally, these practical workshops do not cover specific issues related to the profile of tribal enterprises.
101. In December 2007, a practical workshop was held in Sakhalin in the SIMDP framework with involvement of Moscow experts on topical legal and accounting aspects of the activities pursued by IP tribal enterprises.
- The workshop was attended by most of Sakhalin tribal enterprises, and the participants emphasised the need and relevance of this kind of events.
102. At least a number of cases involve underestimation of the role of accounting, the role of timely and careful preparation of the reports/statements required.
- This is a multisided problem which causes can be traced back to history (in the 1990s the related control was not so strict), perception of numerous requirements as inexecutable ("the inspectors will find errors anyway, so it is easier just to pay the fine"), and absence of qualified specialists.
- Another cause that stands alone may be attempts not to document 'informal' (illegal) incomes such as incomes from poaching.

103. According to the existing data, accounting is sometimes kept in quite a 'fragmented' way. Accounting is careful and consistent for only those components which are viewed as critical for the organization.

These may include issues related to payments of certain fees (which absence will terminate the organisation's right for catching fish), payments to the Pension Fund for key personnel of organisation (as a rule, managers and their nearest relatives), and the like.

104. It should be noted that in the recent 10–15 years there has been a constant tendency toward a growing control by the state, with production/economic transparency requirements getting stricter.

This tendency is closely linked to securing the rights of employees (payment of official wages, guaranteed pension upon retirement, etc.), commitment of business to pay taxes and not to be involved into illegal activities, etc.

This tendency toward a growing control and attention by the state will obviously be getting stronger with time.

105. If enterprises involved in traditional economic activities are not fully prepared for such 'rules of the game', their reputation as traditional important segment of economy may be impaired. Such enterprises might be viewed as the entities operating in the 'shadow' (illegal) segment and not contributing to the development of the national economy).

Qualified Administrative Personnel

106. IP communities ('obshchinas') and other IP organizations are either already now in acute need of qualified administrative personnel (first of all, accountants) or may face such a problem in the nearest future.

107. For example, according to estimates, some 60 to 70% of accounting personnel in tribal enterprises are of pre-retirement and retirement age.

108. It should be noted that for the recent years many young indigenous people have been trained for the specialties that would be in demand in IP organisations.

109. Yet, only some of them are working under their specialties in the IP communities and tribal enterprises. Qualified indigenous specialists are often unemployed (although there is an objective need in their services) or prefer working in organisations and enterprises that are not related to IP traditional economic activities.

110. This tendency can be explained both by general reasons common for all Russia (disproportion between supply and demand on the job market; desire of young professionals to work in more comfortable conditions of towns and large settlements) and by specific reasons typical of IP tribal communities.

111. Tribal enterprises are often uncertain as to the quotas, sufficient catch of fish, profitable sale of fish, etc., and this prevents the organisations from hiring specialists on a permanent basis.

In other cases the enterprises are not prepared to offer specialists a competitive level of pay.

112. Tribal enterprises may distrust 'outside' specialists who are not their family members, relatives or neighbours.

113. Yet, even if a specialist is a relative or a member of local community and the enterprise is ready to give him the job, this does not mean that the job offer will be accepted.
114. On the one hand, kinship or neighbourhood relations in the tribal communities account for a certain level of stability and social security. But on the other hand, there exists a widespread idea that the insiders and the relatives can be paid less.
115. Many candidates for jobs in IP tribal enterprises may be deterred by the absence of further career opportunities both because of the small size of organizations and because any promotion is commonly done on the basis of kinship relations.
116. Bearing in mind that some part of activities of organisation involved in traditional economic activities may be unofficial (illegal), work for other enterprises (not related to IP traditional economic activities) will be viewed as more stable and safe.
117. However, reproduction of administrative personnel (in the first place, accountants) in tribal enterprises using the internal human resources of such tribal enterprises (from among the families of the founders) may continue in future. But only if the traditional economy enterprises do not set the goals for the development.
- Indeed, access to specialised education (finance and accounting) is not a problem for indigenous youth. If the conditions of jobs do not attract the best specialists, it is possible to employ someone else with the relevant educational background.
118. But if the tribal enterprises set the goals for step-by-step development (increase of output, development of new products, new sales markets, hire of more personnel, etc.), then the need will sooner or later arise for involvement of personnel from the 'outside' (whether IP, or not).

119. Business expansion and complication inevitably create the need for technologists, accountants, lawyers, marketing experts, etc. Specialists of different profiles can hardly be found at the required moment within one family or community.

Recommendations

- XIV. If it is complicated to register an IP community or a tribal enterprise (due to geographical remoteness) it seems reasonable to employ **various forms of cooperation** between various IP organizations or representatives.
- Trustworthy and competent people, permanently residing in Yuzhno-Sakhalinsk, could be issued power of attorney for registration of the communities and other forms of SIM organizations (naturally, with no right to be listed among the founders or participate in the management).
- XV. It would be reasonable to **hold periodic advanced training workshops** for managers and accountants of IP organizations to review updates to legislation and accounting rules and to develop qualifications.
- XVI. The workshops should be held with participation of both the relevant state bodies (representatives of tax service, jurisprudence institutions, etc.) and independent experts.

Recommendations

- XVII. Subscription to **specialized periodicals (magazines) on accounting** for each district would probably be helpful, too.
- XVIII. It would be reasonable to hold periodic workshops to review **new technologies and equipment, fundamentals of entrepreneurial activities, sales of products**.
- XIX. For a number of years discussions have been held regarding the idea of **establishment of a Resource Centre** (names have been varied) to meet the needs of IP organizations. Such Centre could provide professional services and resources in the field of legal, accounting and other types of support on affordable conditions. However, no practical steps have been taken to establish such Centre.

In Detail

Resource Centre: What For?

- Hold workshops and other events (including in areas where IP live) to review practical aspects of use of legislation and accounting rules as applicable to IP associations and organizations.
- Provide consultations on legal and accounting issues.
- Share experience.
- Demonstrate that compliance with all accounting legislation is possible and that such compliance offers material advantages (no need to pay fines).
- Theoretically the Resource Centre could have modular production premises as its property and lease them to the tribal enterprises and communities for production purposes.

At the same time, it is important to dispel any ungrounded expectations that the Resource Centre would undertake in future all the accounting and legal support of the activities pursued by the communities, tribal enterprises and associations of indigenous people.

- For example, this could be done in the following way. Initially (e.g. during the first year), the Resource Centre provides services to the tribal enterprises for free. After that the Centre provides non-gratuitous services (for example, 50% of the services' cost, then 75% and 100%).

Such a procedure will allow self-financing of the Resource Centre and will help avoiding dependence on this initiative.

Observance of Labour Rights

120. No systematized data are available on protection of labour rights of employees at IP enterprises. Indigenous people do not raise this issue (as distinct, say, from economic development).
121. Absence of systematised data and interest in this subject does not probably mean absence of the problem, but testifies to the low priority of this subject to indigenous people as compared to other problems (first of all, the problem of unemployment).
122. Bearing in mind quite a high level of unemployment among Sakhalin IP, people prefer to have their labour rights infringed rather than raise the issue of official status of their jobs, etc. Not all indigenous people have clear idea about their labour rights. Besides, the fact that the Sakhalin IP community is quite small and 'people know one another' does not contribute to taking information on labour conflicts beyond the community.
123. According to indirect data, occupational structure existing at IP enterprises is to much extent informal (absence of labour contracts with many of employees, no fees are paid to the Pension Fund, etc). Indigenous people explain this either by the low level of cost effectiveness or by unpredictability of business (e.g. in the case of fishing).
124. Social insecurity (because the work is informal and not regulated by laws) is compensated by the fact that people know one another personally. As a rule, this allows preventing extreme forms of exploitation.
125. In any case, absence of the official status of employee always causes such employee's excessive dependence on the employer, infringement of his/her rights for a full-scale pension support, etc., which is unacceptable.

126. Unofficial employment decreases the financial load (including tax load) on the employer at employee's expense, but the employer also becomes vulnerable to inspections and 'administrative pressure'.
127. It seems that this situation may gradually improve if only two factors act simultaneously: improvement of economic status of IP enterprises, on the one hand, and enhancement of related control by the state bodies, on the other hand.

Occupational Safety

128. No systematised data are available on labour, safety and injury rate at IP enterprises.

Indigenous people do not raise an issue of occupational safety (as distinct, say, from economic development).
129. Absence of systematised data and interest in this subject does not probably mean absence of the problem (which may be quite acute according to indirect data), but testifies to the low priority of this subject to indigenous people as compared with other problems (survival, achievement of the minimal level of economic welfare, etc).
130. It cannot be excluded that IP representatives demonstrate a lower 'sensitivity threshold' when it comes to human life and potential injuries. This can be explained both by a number of historic circumstances (many, if not all, of traditional activities, e.g. hunting, fishing, etc., are potentially dangerous) and by a number of today's circumstances (high rate of suicide among many of IP groups).

131. Development and implementation of occupational safety measures and a closer attention to the safety issues will be of a large importance and may serve as an example of implementation of up-to-date, modern approaches.
132. At the same time, implementation of such approaches will obviously take time and efforts (both because of complexity of implementation of many actions in everyday labour activities of indigenous people and because of perception of these issues as the low-priority ones).

Recommendations

- XX. It is necessary to review opportunities for **development and implementation of occupational safety measures and a closer attention to the safety issues**.
- XXI. Approval of such actions at SIMDP governance bodies' meetings **may face difficulties and lack of understanding** (especially if alternative projects are aimed at economic activity support which is easier to be perceived).

Branding, Marketing and Advertising

133. There are successful examples in the world and (to a lower extent) in Russia of trademarks and brands emphasising that the goods are manufactured by indigenous people's enterprises. Such goods are perceived as unique, environmentally-friendly and are expected to possess other positive features distinguishing them from the rest of consumer goods and accounting for a higher price.
134. It would be most beneficial if the opportunity for such advantages could be used by at least some of IP enterprises.
135. At the same time, access to such an opportunity is available solely to the enterprises having their own production facilities and largely (or fully) controlling the sales chain.
136. Besides, efforts for creation of a highly effective trademark, marketing and advertising require a certain educational and professional background in this field and/or involvement of highly qualified outside resources (marketing/advertising agency).

Recommendations

- XXII. It is reasonable to **support interest in acquiring of marketing and advertising knowledge and skills**: if this interest is demonstrated by an IP enterprise which is 'mature' enough to use marketing and advertising in practice.

Attitude to Entrepreneurship

137. Today, ethnic entrepreneurship enjoys public support in IP communities. People normally recognise the important role played by IP entrepreneurs for improving the welfare of indigenous people in Sakhalin as a whole.
138. This is largely explained by the fact that local communities always expect, to this or that extent, that the development of IP-run businesses should improve the welfare of the local communities and people living in them.
139. The reason for this lies in the norms of mutual support and assistance, typical of many indigenous communities and formed over decades and centuries.
140. As a comparison: the overwhelming majority of the Russian entrepreneurs view business as a way to improve their own and their families' welfare, while the society takes it for granted and does not even expect businessmen to demonstrate a behaviour model other than this one.
141. In many (if not most) cases, IP enterprises perform important social functions for their communities. For example, fish is caught and delivered within the framework of individual quotas, for those who cannot catch fish on their own.
142. However, there is no consistency as to the conditions on which it is done. While some of IP entrepreneurs catch and deliver fish to others gratuitously, other enterprises may request compensation for fuel used for the delivery of fish, while still some enterprises catch fish for somebody in exchange for a considerable part of their share. Yet, all these cases demonstrate a kind of social support because many people would not be able to catch this fish on their own anyway and their quotas would therefore be lost.
143. It seems that in the past 10–15 years (although not always and not everywhere) there has been a fade-away of expectations that entrepreneurs from indigenous people should 'share their success' with other people, with their community.
- The causes of such change of attitude may include not-indigenous environment (people of other ethnic origins around), changing conditions of life, and the fact that the success is associated, in the first place, with individual achievements (initiative, intuition, prudence, etc.) rather than with support from a local community.
144. In future (in 5–10 years or probably sooner), entrepreneurship among indigenous people (first of all, in most profitable fields like fishing) might be losing public support in indigenous communities.
- Communities can think that the entrepreneurs do not provide an adequate support to communities, while businessmen will wonder why they should provide this kind of assistance.
145. In terms of the goals of SIMDP (or other social and economic development programmes), this may result in that the focus of Traditional Economic Activities Support programmes will have to shift from general indigenous entrepreneurship support to other fields, whether similar (e.g. support of young IP entrepreneurship) or not similar.

Instead of Conclusions

Traditional Economic Activities in Sakhalin: Limits of Growth

The traditional economic activities of Sakhalin indigenous people are of much importance both for employment and for receiving livelihoods.

The indigenous people of Sakhalin for centuries were involved in these kinds of economic activities, and it gives them clear competitive advantages. Many of the kinds of traditional economic activities are important as they contribute to preserving ethnic identity.

But there is an important question: **can traditional economic activities of the Sakhalin indigenous people (even if in very favourable conditions) in future employ all Sakhalin indigenous people who want to work in this sphere?**

In 1980s the scientists from the Siberian branch of the USSR Academy of Science and other scientific institutions carried out the researches in the framework of the programme 'Social and Economic Development of the Indigenous People of the North'. It was revealed that only 22,9% of Sakhalin indigenous people work in the traditional industries⁵.

It was noted that the traditional economic activities in Sakhalin region due to objective reasons cannot ensure full employment of indigenous population. Among the reasons were increase in indigenous labour resources; limited natural resources (fish first of all); technical upgrades and intensification of traditional production facilities (with less workers necessary) and decrease in number of domesticated reindeer.

During last almost thirty years this tendency has become even more visible.

First of all, the number of domesticated reindeer dropped to very low figures.

Second, more and more technical upgrades are being implemented in fishing industry, in processing wild-growing plants, etc.; and little staff is now necessary to ensure the full scale production.

Third, in the situation of severe competition the owners and managers of the enterprises (including owners and managers of indigenous origin) have necessity to hire only people who could provide the guaranteed high intensity and efficiency of work.

But researchers have repeatedly noted that the strict scheduling of working days, high intensity of labour that is typical for an intensive industrial production do not comply with ethno-psychological characteristics of many indigenous people; and this makes the process of adaptation at work more difficult⁶.

Both indigenous entrepreneurs and wider indigenous audiences claim that ethno-psychological characteristics continue to exist at present.

But in fact indigenous entrepreneurs now do not have the choice between 'intensification of production' (aiming at maximizing profits) and 'refusal from intensification' (aiming at more comfortable working conditions and rhythm for indigenous staff).

In the situation of severe competition the refusal from intensification of work results in bankruptcy. It is also important that when enterprises compete with one another for 'commercial fish quotas' they should demonstrate the history of catching big volumes of fish (that is next to impossible without having in place upgraded fish processing facilities).

⁵ See (in Russian): The Nivkh of Sakhalin: Modern socio-economic development. Novosibirsk: Nauka, 1988. P. 92

⁶ As above, P. 58

The tendency in Sakhalin to hire necessary specialists 'from outside' in traditional economic activities such as fishing is long lasting and deeply rooted. In the situation of market relations this practice became even more widespread.

If current tendencies persist it is not likely that the traditional economic activities in Sakhalin (even in the case of their active development) will be able to provide all indigenous people who want to work in this sphere with workplaces

The importance of the traditional economic activities of Sakhalin indigenous people should not be underestimated. Yet, the traditional economic activities should not become the only priority while considering ways of sustainable development for the Island's indigenous population.