

## CASE STUDY

Bolshoy Kamen, Russia,  
Kenai, Alaska

Nevelsk, Russia,  
Anchorage, Alaska

# Enhancing Economic Development Opportunities in Communities in the Russian Far East

CityLinks Partnerships between  
Bolshoy Kamen, Russia, and Kenai, Alaska  
Nevelsk, Russia, and Anchorage, Alaska





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**OVERVIEW:** ICMA conducted CityLinks activities in the Russian Far East (RFE) between 2005 and 2007. Those RFE efforts concentrated on an overall goal of building more sustainable and self-dependent RFE communities that would be able to address the chronic economic development needs of their citizens and private sector partners. The CityLinks Alaska-Russian Far East Partnership Program established eight technical partnerships between cities in Alaska and counterpart communities in the RFE. This case study describes two of those partnerships: between Kenai, Alaska, and Bolshoy Kamen, Primorsky Krai, and between Anchorage, Alaska, and Nevelsk, Sakhalin Oblast.

Bolshoy Kamen is one of 42 “closed cities” left in Russia today. That status severely limits what the local government can do to provide for and stimulate economic diversification. Bolshoy Kamen needed to identify the most effective ways to decrease its heavy dependence on the shipbuilding industry and to promote and grow small businesses. A series of interactive planning sessions between Bolshoy Kamen and Kenai resulted in plans for a public-private partnership that would establish a new business incubator in the RFE city. Expected to be opened in late 2007, the incubator should increase the number of self-sustaining businesses in Bolshoy Kamen, in turn leading to more jobs in the city and more tax revenues for the local government, allowing the community to better deliver needed municipal services to its residents.

Despite the presence of numerous natural, historical, and recreational attractions in Nevelsk and the surrounding area, the community lacks modern infrastructure to be able to attract new business in the tourism industry—specifically hotels. And, local entrepreneurs do not have the needed training, resources, and information to help move the tourism industry forward. The partnership between Anchorage and Nevelsk resulted in the creation of a tourism-based business plan that will guide the RFE municipality and the local private sector over the next three years.



## Introduction

In the Russian Far East (RFE), which is the eastern-most federal district of the Russian Federation, the standard of living lags behind that of all the other areas of the country to the west. That is in spite of the fact that the RFE is rich in natural resources, including diamonds, gold, silver, oil, gas, coal, and the world’s most extensive forests. There are also huge stocks of fish in the northern Pacific and in the RFE’s coastal waters. Nevertheless, the dominance of natural resource development has overshadowed the development of a more diversified economy. Because of this and because of the vast distances and harsh climatic conditions, the RFE’s infrastructure is poor, and energy and transportation costs are extraordinarily high. Inhabitants in much of the RFE live in small, isolated communities that struggle to maintain the most basic services such as health care, heat, and electricity. Outdated or underdeveloped infrastructure paralyzes communities in their pursuit of sustainable economic opportunities, as businesses are not willing to locate in a community or region where basic

### **The Russian Far East**

The Russian Far East (RFE) is one of seven federal districts that make up the Russian Federation. The RFE is located between Siberia and the Pacific Ocean. With an area of 6.2 million square kilometers (2.4 million square miles), the RFE is the largest federal district in Russia—with over one-third of Russia's total area. The RFE's population was 6.69 million, according to the 2002 census. The RFE federal district is made up of the following entities: Amur Oblast (province), Chukotka Autonomous Okrug (district), Jewish Autonomous Oblast, Kamchatka Oblast, Koryak Autonomous Okrug, Khabarovsk Krai (territory), Magadan Oblast, Primorsky Krai, Sakha (Yakutia) Republic, and Sakhalin Oblast.

public services are not provided at an adequate level. Operating under new laws that are rarely fully understood or enforced, local governments in the RFE find themselves ready to embrace economic growth, but they are at a loss when it comes to implementation. The cities in the RFE are unsure of their role in local economic development and are stifled by years of centralized planning and regulation, the inability to promote competition, and isolation from the rest of the world. Despite these challenges, the cities are now seeking to open their doors to tourism, are encouraging homegrown entrepreneurship, and are carrying out vigorous marketing campaigns to attract and expand investment that will bring needed revenues and improve the lives of their citizens.

In Russia the system of local self-governance is being changed drastically, in terms of territorial organization, municipal powers, and interaction among the different levels of government. Further transformation is being shaped by Federal Law # 131, which was passed in October 2003 and deals with general principles of local self-governance in the Russian Federation. To be able to live up to the expectations outlined in the new law, the communities in the RFE have to find creative solutions to the development challenges found throughout Russia, but particularly in their cities. Russian Far East communities also need to overcome the obstacles that arise from the geography of the RFE itself, especially its vast size and a population of nearly seven million. The economic base of the RFE is poor. Social support systems and related institutions are not well developed and lack needed resources. Combined with the serious condition of the RFE's basic infrastructure, this situation requires innovative approaches to developing realistic and sustainable local economic opportunities. Additionally, the recently introduced "vertical" federal reforms are only strengthening the top-down chain of command, instead of forging close cooperation among central, regional, and local governments to address development challenges. Significant support is needed to help local governments in the RFE improve their capacity to provide basic services to citizens and to create an environment conducive to local and foreign investment.

The CityLinks Alaska-Russian Far East Partnership Program ran from September 2005 to September 2007. Through exchanges organized with partner cities in Alaska, the program provided RFE communities access to hands-on technical assistance, training, and focused exchanges. These interactions gave the RFE community leaders the opportunity to learn about municipal management and economic development strategies from local government colleagues who have practical, on-the-ground knowledge.

### The CityLinks Model

Through the CityLinks program, ICMA seeks to empower local governments, non-governmental organizations, the private sector, and citizens to put into place local solutions, by establishing relationships between professionals working in local government entities in the United States and their counterparts in developing and transition countries. Experience has shown the value of peer exchange, in the transfer and adaptation of skills and tools that will help meet the challenges of delivering local government services. To build the capacities of local governments, ICMA and the U.S. Agency for International Development (USAID) developed a program that has partnered U.S. local government practitioners, their skills, and their creativity with the needs of local government leaders from Eastern Europe, Russia, Asia, Latin America, the Middle East, and Africa. ICMA's current CityLinks activities grew out of the earlier Resource Cities Program, which USAID and ICMA launched in May 1997. Over the past 10 years, these programs have involved some 75 partnership arrangements.

### CityLinks Activities in Russia, 2005-2007

In Russia, ICMA conducted CityLinks activities in the Russian Far East (RFE), which is the eastern-most of the seven federal districts that make up the country. Those RFE efforts focused on improved government openness and transparency at the local level and enhanced citizen involvement in government decision-making. Operating between 2005 and 2007, the program established eight technical partnerships, between the Alaskan cities of Anchorage, Juneau, Wasilla, Kenai, and Skagway and the RFE municipalities of Bikin, Bolshoy Kamen, Dolinsk, Ussuriysk, Nevelsk, Luchegorsk, Vyazemsky, and Arsenyev. The overall goal was to build more sustainable and self-dependent RFE communities that would be able to address the chronic economic development needs of their citizens and private sector partners. In the course of the RFE program, the partners worked on a wide variety of projects, involving tourism, small business development and support, investment attraction, marketing, and business planning. Among the results of the RFE activities have been the formation of a business incubator, creation of a business plan to attract investment for a factory, development of a tourism passport and a municipal tourism plan/program, development of a concept plan for a business park, and establishment of an economic development center.



The CityLinks program established eight technical partnerships between RFE communities and Alaskan cities and organizations, with peer-to-peer learning used as the basic means of knowledge transfer. Each partnership project was individually tailored to meet the specific needs and expectations of the local RFE partner community, utilizing an on-site diagnostic assessment conducted by the Alaskan partners and ICMA. “Alaska and the Russian Far East have much in common,” said Kevin Harun, the renewable resources manager of the city of Anchorage, Alaska, “so by sharing experience in different ways we can learn and improve our societies and economies.”

The CityLinks staff in Washington, D.C., and in Russia selected Anchorage to partner with the RFE city of Nevelsk, and Kenai, Alaska, to partner with the city of Bolshoy Kamen. High-level teams from the Alaska partner cities included experienced, director-level officials from their local departments of social and economic development, land use planning, finance, and social and community services. During the diagnostic assessment at the start of each project, Alaskan officials and ICMA staff assisted these two RFE communities in the selection and implementation of the most relevant and pragmatic projects, which were based on the needs of the RFE cities and the expertise of the Alaskan partners. During the selection process, Bolshoy Kamen and Nevelsk proved ready to address the chronic economic development needs of their citizens and private sector partners.

The following two short subsections summarize the partnership activities in Bolshoy Kamen and in Nevelsk. There are then two longer sections that provide details on each RFE city’s challenges and potential, work plan, project implementation, and results and sustainability. A final, short section of this case study covers some of the lessons learned from these two Alaska-RFE partnerships.

#### **Bolshoy Kamen Facts**

**Location:** In Primorsky Krai (territory); approximately 40 kilometers (25 miles) across Ussuri Bay from the city of Vladivostok

**Population:** 39,000

**CityLinks Partner:** Kenai, Alaska

**Partnership Dates:** March 2006 to August 2007

**Bolshoy Kamen.** Currently, Bolshoy Kamen is technically a “closed city.” That status means its market sectors are still purposefully intertwined with the local government. The city restricts who can live, do business, or visit there, largely because of the nuclear material developed and manufactured there during the Soviet era and the city’s current efforts to dispose of those materials. The city’s being closed helps protect such materials from falling into the hands of terrorists, but it also puts strains on the business community and the city government, according to Nina Kovtun, the head of the Department of Economics of Bolshoy Kamen.

Bolshoy Kamen has the largest budget of all the cities in Primorsky Krai (territory), but a very large portion of that funding comes from the federal government. At some point in the future, Bolshoy Kamen will lose its status as a closed city—and the accompanying central government subsidies. Further, there is little hope that the local Zvezda shipbuilding factory, which at one time employed most of the people in the city, will create new jobs in the future; in fact, many of the employees have already been laid off.



Wood processing will be one of the initial economic activities targeted for nurturing in the Bolshoy Kamen business incubator.



Without the federal subsidies, Bolshoy Kamen’s own current, limited local resources would be insufficient for the municipality’s responsibilities, including heating apartment buildings, running day care centers, and maintaining cultural and recreational facilities. “We would like our local economy to become more diversified,” Kovtun said.

Boosting the private sector should increase Bolshoy Kamen’s ability to eventually stand on its own. According to Federal Law # 131, municipalities have the right to keep 30% of all the personal income tax generated in their jurisdictions. The more local taxpayers there are with a steady income, the more taxes will go to the city budget, and the better Bolshoy Kamen will be able to supply the needed municipal services to its residents.

The Bolshoy Kamen-Kenai partnership action plan was aimed at establishing a business incubator as a means of increasing Bolshoy Kamen’s capacity to grow, to attract businesses, and to have the private sector—particularly small and medium-sized enterprises—serve as the engine of economic growth for the community. That incubator is expected to be opened in late 2007.

**Nevelsk.** A seaport, Nevelsk is thought to be both the oldest settlement and oldest seaport community on the island of Sakhalin, which is located across the Tatar Strait from the Russian mainland and north of Japan. The city experienced a severe loss of population when the Soviet Union dissolved. Although fishing is still the primary industry in Nevelsk, employment in that sector has declined substantially from the Soviet era,

#### Nevelsk Facts

**Location:** In the southern part of the island of Sakhalin, which is just off the mainland of the Russian Far East.

**Population:** 24,900

**CityLinks Partner:** Anchorage, Alaska

**Partnership Dates:** December 2006 to August 2007



Nevelsk is the oldest port city on the island of Sakhalin. The history and natural features of the community give Nevelsk much potential for developing new tourism enterprises that would help diversify the local economy.

when it employed some 11,000 persons. Also affected was the city's housing supply, and the emigration of residents has left several large housing structures vacant and in disrepair. The local government has therefore pursued an aggressive economic diversification process, including the development and expansion of small businesses, the service industry, tourism infrastructure, and educational opportunities.

Nevelsk has a new mayor, who, along with his upper-level management team, advocates tourism as the key to economic development and recovery. The city conducted preliminary market research and concluded that while Nevelsk may not be an ideal area for the development of resort or beach tourism, which still remain the most traditional, popular kinds of tourism in the world, the community had other advantages. Nevelsk's history and natural features make it unique on Sakhalin and in the Russian Far East overall, with attractive tourism opportunities for scuba divers, hikers, and others who appreciate wilderness areas and natural beauty.

In December 2006, a delegation from Anchorage reviewed Nevelsk's layout and the condition of its housing stock and the commercial facilities along the seacoast. The delegation also visited the local skiing facilities, the local museum of natural history, a Russian Orthodox Church that is located above the city and overlooking the coast, and a private school that teaches English as a foreign language. The Anchorage officials concluded that Nevelsk was a vibrant community and had a potential for a variety of successful tourism enterprises. Anchorage and Alaska tourism marketers had had to resolve similar issues before tourism became the big business that



**The goals of the Bolshoy Kamen business incubator are to:**

- provide consulting services for small business start-ups
- help existing and new businesses with planning and marketing
- connect willing entrepreneurs with needed training in accounting and computer applications
- assist entrepreneurs in getting loans

it now is in their state. Given that experience, the Anchorage officials were able to diagnose how a smaller, remote community such as Nevelsk might lay the groundwork for a future flourishing tourism industry. Working with their Nevelsk counterparts, the Anchorage representatives helped to incorporate all the relevant factors into a plan. They also assisted in developing the concept for a tourism program that would focus on the city of Nevelsk and on the ecotourism opportunities of nearby areas.



### **Establishing a Business Incubator in Bolshoy Kamen**

**Identifying Challenges and Potential.** The city of Bolshoy Kamen is one of 42 “closed cities” left in Russia today. The closed-city status brings with it a number of rules and regulations governing how the city may function, allocate land, and receive outside investment, and how it is financed. Closed status severely limits what the local government can do to provide for and stimulate economic diversification.

The city has made much progress in implementing the new administrative reforms and is striving to become self-sustaining in order to prepare for the time when it will no longer have closed-city status and central (federal) government subsidies. The mayor, the city manager, and the economic development staff of Bolshoy Kamen are bright, forward-thinking, and supportive of small business development.

In light of the inevitable opening up of the city and disappearance of federal subsidies, Bolshoy Kamen officials needed to identify the most effective ways to decrease its dependence on those subsidies and on the shipbuilding industry. The main shipbuilding factory, Zvezda, is still owned by the central government but it is not supported as it was during the cold war. Bolshoy Kamen officials have promoted small businesses as a way to ensure the city’s economic development in a market economy and to expand the tax base.

The Bolshoy Kamen representatives conducted a series of face-to-face, collaborative planning sessions with their Alaskan partners, who were from Kenai Peninsula Economic Development District.

The resulting Bolshoy Kamen project, which was identified and supported by the mayor and the city manager, was a public-private partnership business incubator on the grounds of the Bolshoy Kamen Institute of



The Bolshoy Kamen coat of arms emphasizes the sea and the city's heritage and value as a major ship-building center for Russia.

Economics and Technology. An affiliate of the Far Eastern State Technical University in nearby Vladivostok, that institute has a special focus on business education.

Initially, the Bolshoy Kamen officials did not believe they could go this route, because Federal Law # 131 would bar the city from operating a business incubator and because of a law that mandates that the city sell all of its buildings not used for administrative purposes. However, the Alaska partners encouraged their Bolshoy Kamen counterparts to overcome these obstacles by working with the Institute of Economics and Technology. Since it is not governed by Law # 131, the institute can undertake some activities that the city can not. In addition, helping establish the incubator would build the institute's standing in the community and would help keep students in the Bolshoy Kamen area, rather than having them go to study in larger cities, or leave the city for work elsewhere after finishing their studies at the institute.

In spite of some doubts, the city and the institute representatives were willing to be creative and to get started. They decided that this was the direction the project should take because of the mutually beneficial results that there could be for the city, its citizens, and the institute. Besides taking steps to get the business incubator running, Bolshoy Kamen officials discussed helping citizens to understand that their opinions do matter, and that they should become more active participants in civic processes.

*“The results from Bolshoy Kamen’s involvement in the partnership program with Kenai will contribute to the future achievement of tangible, positive changes for the economic development of the municipality.”*

**Dee Gaddis, programs manager, Kenai Peninsula Economic Development District**

**Developing a Work Plan.** As co-implementers, the city and the institute shared similar views from the very beginning. They sorted out what they wanted, and they gathered ideas from the Kenai partners, whose development experience was very relevant to the Russian city. The Bolshoy Kamen officials assessed a draft business plan for the business incubator and agreed on the steps to be taken before the Russians made their first exchange visit to Alaska. The officials also reviewed a semifinal action plan, drafting an outline of what should be included in the incubator, and what resources and space each side would be able to provide, as well as what the role of each entity should be in the incubator's functions and management. The Kenai partners provided an overview of the organiza-

tion and experience of the Kenai Business Incubator Center, and they helped their Bolshoy Kamen partners determine the potential economic benefits of a business incubator for the city. The Bolshoy Kamen and Kenai partners identified several strategic initiatives aimed at establishing a business incubator that would invest in and grow small businesses in the RFE community, create a clearinghouse to promote the local sales of products made by small businesses, and develop business planning consulting services for small businesses.

There are now 989 small businesses in Bolshoy Kamen. Those businesses produce 42% of all products manufactured in the city and generate 20% of the taxes that go to the city government's budget. The new business incubator will leverage the already active business plan training at the Institute of Economics and Technology and provide assistance and training to potential new businesses, in the areas of marketing, accounting, management, and the permitting process and legal requirements for setting up a business. The incubator will allow businesses without access to credit to establish themselves at minimal cost, as the institute and city will provide basic services and building space for start-up businesses and entrepreneurs. Along with the Institute of Economics and Technology, the new public-private partnership involves the Union of Entrepreneurs, a six-year-old Bolshoy Kamen organization that provides legal and registration assistance to new and existing businesses.

**Project Implementation.** The plan for a business incubator was refined during a one-week visit that the Russian delegation made to Alaska in February 2007. Based on the experience shared by Kenai, the Bolshoy Kamen city officials and their partners in the business community worked to identify space for a business incubator in an existing building at the Institute of Economics and Technology.

The municipality will continue to own the land where the building is located, and the institute will rent the building on that land on a long-term basis from the municipality. The Russian and Alaskan partners also estimated the need for financial and intellectual resources, and established eligibility guidelines for businesses to occupy space in the incubator.

In Bolshoy Kamen, several public campaigns, utilizing press releases and other promotional mechanisms, were conducted to inform citizens of the new business incubator proposal and the potential benefits to the city economy. One of the concerns of the established entrepreneurs in Bolshoy Kamen was whether or not they would benefit from an organization set up to assist start-ups. By explaining the business incubation program as it exists in the Kenai area, the Alaska experts were able to resolve some points of contention regarding the business incubator proposal.

The Kenai officials made a number of useful recommendations with regard to developing a financial plan for the incubation center, tenant relationships, and dealing with difficult tenants. To encourage a constructive ongoing dialogue between local businesses and the city government,



Among the interesting sites in Nevelsk that might attract tourists is a Russian Orthodox church that is located above the city and overlooks the coast.

it was decided to have the Bolshoy Kamen Union of Entrepreneurs represented on the second of the two exchange trips that Bolshoy Kamen representatives made to Alaska. In that way, the Russian entrepreneurs could learn first-hand about the Kenai Business Innovation Center activities and meet with successful tenants.

Kenai officials and ICMA staff in Russia provided guidance throughout the development of the incubator, including on site selection at the institute; regulations and guidelines; the role of the city, the institute, and the local business community; and the financial, staffing, and equipment resources that could be provided by each stakeholder.

Using what they had learned from their Kenai partners, the Bolshoy Kamen officials finalized a charter for the new business incubator and had it approved by the city government. The Bolshoy Kamen partners identified the location for the incubator, and the Bolshoy Kamen city administration approved renting it at a favorable price. Using the information in the work plan for the incubator, Bolshoy Kamen officials secured about \$15,000 in budget funding from the city government to have the facility renovated and equipped to house the incubator.

**Results and Sustainability.** At the present time, the Bolshoy Kamen economy continues to depend mainly on the local shipbuilding industry. Through their partnership with their Kenai colleagues, the Bolshoy Kamen officials came to better understand the compelling need to diversify the city's economy, promote small business development, and encourage new forms of funding for business support projects.

A new mayor of Bolshoy Kamen was elected in the spring of 2007, and he has reaffirmed the city's commitment to economic development, including completion of the business incubator. The city is moving ahead with its plans to collect resources such as office equipment, written materials on permitting and legal requirements for setting up businesses, and other documents that entrepreneurs might need. For 2008, \$25,000 had been set aside in the city budget to continue work on the building that would house the first part of the business incubation center. Staff members at the Institute of Economics and Technology are working to finalize the business incubator's Web site. The official opening of the incubator was planned for late 2007. The city of Bolshoy Kamen has started to sponsor regular training sessions at the institute that cover basic business planning, successful marketing and sales strategies, and quality management. Graduate students at the institute have developed a series of template business plans and presented them to the existing service companies willing to expand their businesses and/or to get bank loans.

There may be as many as six tenants housed in the business incubator during its first year of operation. Wood processing will be one of the initial economic activities targeted for nurturing in the business center.

The incubator has the potential to outgrow its space at the institute and to increase the number of self-sustaining businesses in Bolshoy



The city seafront area being built in Nevelsk will open up new opportunities for economic growth, especially in the area of tourism.



Kamen. That, in turn, would produce more jobs outside the shipbuilding industry, more tax revenues for the city, and a decreased dependence on federal government subsidies.

### Launching an Ecotourism Program in Nevelsk

**Identifying Challenges and Potential.** Nevelsk is the oldest port city on the island of Sakhalin. When the Soviet Union broke up and the Russian Federation was established, Nevelsk's fishing industry was severely impacted, and the city lost a significant percentage of its population. The municipality has many housing structures that are vacant, and a seacoast that is dotted with remnant structures. Nevertheless, the city and the surrounding area have many natural resources and places of interest, with unique historical and natural features, that will support the development of a tourism industry. However, Nevelsk lacks the modern infrastructure needed to attract new tourism businesses, especially hotels. Several entrepreneurs have expressed an interest in participating in the tourism industry, and some are now starting businesses or constructing facilities in order to be ready for the anticipated influx of tourists. But the business operators lack training, resources, and information needed to choose a proper course forward.

An initial trip to Nevelsk by the Anchorage partners, which took place in December 2006, focused on improving the ability of the city and the nearby areas to attract tourists. The Anchorage delegation met with Nevelsk municipal officials, entrepreneurs, contractors, and bankers—who all shared

a common pride in the history and natural features of Nevelsk as well as a desire to improve the community and make the area a well-known tourist destination. A week of information gathering, consultation, and discussion led to the conclusion that with its location, history, proximity to wilderness recreational opportunities, and vibrant cultural life, Nevelsk has great tourism potential. With the proper development and focus on tourism, Nevelsk could offer a clean, uncluttered, quiet choice for weekends or longer vacations. The representatives of the local banking community who took part in the sessions indicated an interest in providing loans to those who would get involved in the tourism industry. The bankers also supported the idea of better defining the tourism opportunities and of carrying out marketing efforts that would stimulate tourists' interest in visiting their community.

*“We discovered that Nevelsk had great potential for ecotourism, with its unique sea lion rookery, beaches, lighthouses, diving opportunities, delicious seafood, tree-lined streets, cultural and youth activities, unique bird populations, pristine Moneron Island just off the coast—and more. But would visitors really be willing to travel long distances to get there? Would Nevelsk be ready if the tourists wanted to come? Did the community have the leadership to pull off such an ambitious plan to redirect its limited resources in a disciplined, coordinated way for the benefit of all?”*

**Kevin Harun, renewable resources manager,  
Anchorage, Alaska**

**Developing a Work Plan.** After assessing the situation in Nevelsk, the Nevelsk and Anchorage officials identified the following foundations for launching Nevelsk's ecotourism program: (1) developing an organizational structure to promote tourism; (2) evaluating the feasibility of attracting tourists from Yuzhno-Sakhalinsk (a nearby city that is the most populous on the island), the Russian mainland, or other countries; (3) identifying needed infrastructure improvements such as hotels and a beach promenade, and painting buildings and conducting other beautifi-



Some of the participants in a December 2006 workshop in the city of Vladivostok that brought together representatives from four Alaskan cities and four RFE communities.



cation efforts; (4) creating tourism packages that would include lodging, transportation, and visits to local attractions; and (5) developing business and marketing plans along with necessary training for city staff and workers in the tourism sector.

Representatives from the Institute for Urban Economics (IUE) participated in the discussions and provided assistance in performing some citizen surveys to help Nevelsk validate the direction selected. Based in Moscow, the IUE is a nonprofit organization that works throughout Russia to identify and analyze the social and economic problems of urban areas and to promote solutions to these problems. The IUE has performed other work with USAID funding, and the organization has collaborated with CityLinks community development efforts in other communities in the Russian Far East.

In Nevelsk, the newspapers, television programs, and the city's Web site all called on local citizens to discuss the concept of tourism development in the city and the surrounding area. The IUE survey found general support in the community for using tourism development as a way to facilitate business and infrastructure development, increase budget revenues, create new jobs, and attract investor attention for Nevelsk. The survey was complemented by a seminar on marketing that the IUE conducted, with the goal of identifying pilot projects that would serve as basis for the city's future promotional efforts.

**Project Implementation.** The work plan was approved in concept but required additional discussion to finalize the specifics. Detailed work sessions were held in Alaska in February 2007, when a Nevelsk delegation visited Anchorage to observe how tourism promotion organizations

In December 2006, Nevelsk city officials passed a resolution to establish the community's Tourism Working Group. The first meeting of the group took place in January 2007. The group brought together government, tourism-concerned businesses, and active citizens groups. They all coordinated with each other on tasks that included developing an initial concept for cultivating tourism in the Nevelsk area; creating a plan to involve investors, banks, and others in the Nevelsk region; and defining a community process to promote citizen and entrepreneur participation.

operate and to receive intensive training in the principles of ecotourism, developing lodging options, marketing, and business planning. During the visit to Alaska, it was decided that an international tourism expert from the Anchorage area should go to Nevelsk in the summer of 2007 to conduct additional training sessions for local tourism-related staff.

After returning to Russia, the Nevelsk partners continued to lay the groundwork for developing ecotourism in the Nevelsk region. They formed the Nevelsk Tourism Working Group, conducted several strategic planning meetings, identified concrete programmatic steps and infrastructure development goals, and continued to work to complete the Nevelsk tourism business and marketing plan.

In late June 2007 the Anchorage partners' second visit to Nevelsk took place. One of the Alaskan participants was pro-bono consultant Tandy Wallack, who is the president of the Anchorage-based Circumpolar Expeditions travel company and who has 30 years of experience as an independent entrepreneur in the adventure-tourism sector, including leading trips to Sakhalin and to the Kuril Islands, a chain of islands east of Sakhalin. During the June visit, Wallack provided training on specific ways to develop tourism in rural regions without major tourism operators; advised on potential target tourism markets on Sakhalin, in other parts of Russia, and outside the country; evaluated Nevelsk tourism facilities and the facilities' objectives; and suggested how to identify the primary tourism season and to target tourism activities and marketing to maximize the benefits of the season.

"When I went to Nevelsk with Tandy Wallack in June," said Kevin Harun, Anchorage's renewable resources manager, "we were astounded by how far the city had advanced with its ecotourism project in such a short amount of time. While it took decades in Alaska to build a tourism sector, Nevelsk is a town quickly on the move."

In Nevelsk, the public-private Tourism Working Group is now continuing a variety of efforts to promote tourism activities. The organization is working to develop a road map to identify independent operators on Sakhalin and in Alaska who can market the region. Like many other Russian cities, Nevelsk is in the process of privatizing much of its infrastructure, such as by selling an old hotel to an operator who will revitalize it. The Tourism Working Group has devised four tourism packages, which relate to local



historical figures, the natural wildlife in the area, and local attractions in and near Nevelsk. Plans are underway to give a city tour to all Nevelsk-area schoolchildren, as well as eventually to children from Yuzhno-Sakhalinsk, in order to encourage the youngsters to bring their parents to Nevelsk. A listing of Nevelsk events has been compiled and is ready for publication. A city-owned and -operated community and cultural center in Nevelsk is undergoing major renovation, to provide space for conferences.

*“The joint efforts of the Anchorage and Nevelsk partnership in project implementation have been a serious step on the way to successful economic development in the Nevelsk region and to improvement of the citizens’ living standards.”*

**Viktor Pak, mayor, Nevelsk**

**Results and Sustainability.** The Nevelsk city government and the local business community were active participants throughout the life of the project, demonstrating strong commitment and excellent coordination. The Anchorage partners were impressed with the dedication of the local entrepreneurs who have recently invested in restaurants, markets, and a microbrewery, and who have begun reconstruction of the city seashore line. Nevelsk city officials and business and community leaders unanimously agree that their partnership with Anchorage helped stimulate thought and provided additional incentives to speed up tourism development in the region.

Despite the project’s short term, the results from Nevelsk’s involvement under the CityLinks program are impressive. Several private tourist lodging options have been established. The city leased its first section of beach for a private tourism venture and started the process of constructing a beach promenade in the heart of the city, which would incorporate a cafe and viewing platform, complete with outdoor telescopes just like those in Alaska.

A local business reached agreement with a travel agency in Yuzhno-Sakhalinsk to sell air tickets in Nevelsk. That means that, for the first time, Nevelsk residents and visitors can purchase tickets or make air travel changes without having to go to Yuzhno-Sakhalinsk, which is some 204 kilometers (127 miles) away.

Nevelsk started an ambitious program to remove dilapidated buildings and to paint other buildings in bright colors. A Nevelsk tourism brochure was prepared and then printed for distribution. The city government



The Nevelsk coat of arms highlights some of the natural features that could help make the community an appealing destination for tourists.



Casey Reynolds (standing, left), director of economic development for Wasilla, Alaska, and Kelly Cullum, an ICMA International program manager, participate in a December 2006 workshop in the city of Vladivostok that brought together representatives from four Alaskan cities and four RFE communities.

sponsored a contest for Nevelsk children to design prototypes of souvenirs that could be sold in Nevelsk businesses. Flowers were being planted all over town, just like in Anchorage.

The governor of Sakhalin Oblast (province) approved plans for port improvements as well as millions of dollars to pave the road from Yuzhno-Sakhalinsk to Nevelsk. In cooperation with the Tourism Working Group, the Nevelsk Economic Development Department is preparing a request for funding for tourism expenditures to be included in the city budget in the year 2008. Additional funds are being sought from other sources, including foundations and the Sakhalin Oblast government. The Tourism Working Group and the Nevelsk Economic Development Department are also joining forces to develop a program for tourism development in the Nevelsk region for 2008-2009.

The mayor's staff in Nevelsk plan to use the information that was generated during the CityLinks partnership to initiate a tourism program that will be successful over the next three years and that will concentrate on three key activities. The first will be developing the concept for a tourism marketing plan that focuses on the city of Nevelsk and on the ecotourism opportunities in nearby areas. The second will be identifying resources and training and financial opportunities to assist entrepreneurs in the design, operation, and management of hotels. Attention will go both to larger tourist hotels in Nevelsk and to smaller accommodations in unique natural settings likely to attract divers, hikers, and others who appreciate wilderness areas. A third area of focus will be providing training for tourism entrepreneurs, with information on marketing, preparing employees, customer service, tracking of clientele, and the development of themes.

At the end of three years, the plan will be reviewed, and a long-term program for sustainability will be developed. The Nevelsk Tourism Working Group is also looking for ways to set up feasible, acceptable methods to finance local tourism industry development, given the existing conditions in Nevelsk.

The Anchorage team worked very effectively in taking the lessons learned and tools developed in promoting tourism development in Alaska and then adapting them with their partners in Nevelsk. The Alaskan colleagues provided their Nevelsk counterparts with relevant tourism planning information from the Anchorage Economic Development Corporation and the Anchorage Convention and Visitors Bureau. They also put the Nevelsk representatives in touch with entrepreneurs in Anchorage who discussed their own experiences in successfully starting up and managing a tourism company, including its promotion and marketing. Because of the positive links developed between Anchorage and Nevelsk, the two cities have agreed to form working groups comprised of all the CityLinks participants, with the goal of maintaining communications and sharing resources between the two cities.



### **Lessons Learned and Shared in Bolshoy Kamen and in Nevelsk**

The Bolshoy Kamen and Nevelsk partnerships with the communities in Alaska resulted in replicable models to deal with specific issues and economic development challenges that were identified by the RFE participants. That know-how was transferred to other RFE cities through mentoring, roundtable discussions, and other means of information dissemination. For example, a “tourist passport” template designed in the city of Nevelsk was shared with the RFE CityLinks cities of Ussuriysk and Arsenyev. Ussuriysk developed its own municipal tourist passport, which is part of a recently adopted comprehensive tourism development program. Representatives from the RFE community of Luchegorsk asked for information about the charter for the business incubator in Bolshoy Kamen, including the incubator’s organizational structure and functions. ICMA staff in Russia coordinated a meeting in Bolshoy Kamen on the subject for the Luchegorsk Business Development League and provided translations of templates that had originally come from the Kenai, Alaska, partners.

Participation in the CityLinks program increased professionalism in the Bolshoy Kamen and Nevelsk local governments and helped establish an informal network of municipal practitioners who share a common commitment to working collaboratively towards promoting local economic development. Both those RFE cities began to see each other as a resource and as a partner for a long-term relationship. In the future they are determined to maximize their efforts in working towards successful implementation of specific economic development projects and looking for ways to expand and improve the economic development opportunities for their local government and for the local private sector.

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