

Turning around bankrupt farms in Russia

Intervention:	Revitalization of Insolvent Farms Project
Country:	Russian Federation
Date:	April 2000 to May 2003
Challenge:	To develop, test and disseminate socially acceptable laws and procedures for revitalizing insolvent farms.
Objectives:	Improved procedures fully adopted in 5 core project districts (<i>oblasts</i>), and actively promoted in 5 other oblasts.
Approach of the Intervention:	In the 5 targeted districts, the project worked with 36 pilot farms; 8 new farms were also established during project implementation. The project conducted a rapid appraisal of farms' financial performance, analyzed bottlenecks in the legal framework, and drafted a manual of procedures for tackling insolvency. It trained farm managers and local government officials and set up a mobile unit for disseminating the approaches developed outside the core project area. The project team lobbied local administrations and mounted an information campaign to advise rural citizens of their rights. The procedures developed by the project were adopted by the inter-agency territorial commissions set up to address the issue of farm insolvency throughout the Russian Federation.
Benefits and Impacts:	In 2000, 90% of large-scale farms in Russia were insolvent with more than 20 million dependent on them for income and employment. In the five core districts, a joint effort by private and public individuals led to the revitalization of 14 farms. These farms now have active bank accounts and have paid off debts to employees and suppliers. As a result, 800 farm workers receive regular wages, an 82% increase compared to the start of the project. The number of pilot farm employees receiving incomes below the subsistence minimum fell from 2,691 to 1,584. Average monthly wages on pilot farms increased by 75% during project implementation, compared to a sector-wide increase of 37% over the same period. But it remains to be seen if the restructured farms will continue to flourish, faced as they are with monopolies in input and output markets that tend to depress net farm revenues. The difficulty of securing credit and insurance is a continuing constraint on farm operation.
Lessons learned:	<ul style="list-style-type: none"> □ To maximize the demonstration effect and facilitate replication, it is better to have saturation coverage of a few districts rather than targeting a subset of dispersed farms in several districts. □ Building up a large body of evidence from pilots in different settings helps support the passage of reform legislation. □ Broad-based consultation with local government, investors, creditors and rural communities is vital for building a constituency to support reform.
Wider application:	The procedures developed in the targeted districts are now being replicated elsewhere.
Implementing agency & partners	Oblast authorities and central ministries.
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