



Livestock Policies for Poverty Alleviation: Theory and Practical Evidence from Africa, Asia and Latin America

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EXECUTIVE SUMMARY

Introduction

Increasing population, growth in GDP per capita and urbanization are boosting the demand for food of animal origin in developing countries. This structural break in the livestock market has been labelled the 'Livestock Revolution' (Delgado et al., 1999). It provides tremendous opportunities to poverty reduction, an estimated 42 percent of the poor worldwide being dependent on livestock as part of their livelihood (Thornton et al., 2002). As market imperfections loom large in rural areas, however, decision makers should design and implement the appropriate policies to make the poor fully exploit gains from livestock demand. This paper examines the recent pro-poor thrusts of macro and sector development policies in eighteen developing countries to identify whether governments are tapping into the pro-poor opportunities offered by the livestock revolution. The countries examined are Ethiopia, Kenya, Tanzania and Uganda in East Africa; Burkina Faso, Mali and Sudan in West Africa; Bangladesh, India and Nepal in South Asia; Cambodia, Laos, Thailand and Vietnam in Southeast Asia; and Bolivia, Ecuador and Peru in Latin America.

A Pro-poor Livestock Policy Framework

Asymmetric information and intrinsically imperfect and missing markets lock the poor into portfolios of activities of low returns, preventing them from positively reacting to price signals and allocating their scarce resources efficiently, even in those countries with a comparative advantage in livestock production (e.g. de Janvry and Sadoulet, 2005). Following much disillusionment with the liberalization thrust in terms of poverty reduction, governments recognized this status of affairs and at the end of the 1990s posed poverty reduction and pro-poor growth at the centre of their development strategies. A framework for comparative pro-poor livestock policy analysis is presented to assess whether this shift in the political agendas is expected to benefit the poor livestock holders, filling a gap in the socio-economic literature which has essentially investigated macroeconomic, industrial and agricultural sector policies.

Taking into account the specificities of livestock production and the broad literature on poverty traps (e.g. Dorward et al., 2004a, 2004b), it is argued that, given a functional macroeconomic and institutional framework, livestock policies would be more pro-poor if they included strategies for: (i) 'establishing the basics for livestock production'; (ii) 'kick-starting domestic livestock markets'; and (iii) 'supporting and expanding livestock markets'. Policies that 'establish the basics' refer to those public actions that allow poor livestock producers to have secure and adequate access to basic production inputs, such as land, feed and water for animals, as well as risk coping mechanisms for natural disasters and price shocks. Secure access to production inputs and stable income are necessary but not sufficient conditions for small producers to respond to price signals efficiently, because of widespread imperfections in intertemporal and input and output markets. Policies to

'kick start domestic markets' are therefore required to allow the poor to exploit market opportunities. These include all actions intended to promote a pro-poor functioning of the credit market, an efficient and pro-poor system of animal health and extension services delivery, and adequate access to output markets for smallholders. Finally, policies to 'support and expand livestock markets' are those long-term public actions that encourage and support the sustainable production of high quality commodities; they encompass research for improving feeds and livestock breeds, environmental protection, food quality control, certification and grading, which are necessary components for products to be competitive in international markets and to avoid smallholders be crowded out by foreign competitors.

The Livestock Revolution Bypassing the Poor

Preliminary ILRI data mapping livestock and poverty highlight that a large share of the poor raise livestock in the case-study countries: roughly 60 percent in East and West Africa, around 40 percent in South and Southeast Asia and about 28 percent in Latin America (Thornton et al., 2002). National governments, however, have so far not taken advantages of the poverty-reducing opportunities of livestock development. Time series analysis comparing 1984-2004 trends in the demand for vis-à-vis indigenous supply of beef, milk, poultry, eggs, pigmeat and meat from sheep and goats show that, on average, local meat/milk production has largely not satisfied increased national demand. In 1994-2003 only in 18 over 108 of the cases analyzed livestock production met with the prospected increase in local demand, with milk and poultry accounting for over 55 percent of successful cases; quite the opposite, in 24 percent of the cases per-capita production declined during 1994-2003, with population growing faster than meat/milk production; finally, for most livestock commodities average annual growth rate fell in 1994-2003 compared to 1984-1993, with a concomitant worsening of the livestock trade balance. The demand-driven livestock revolution, therefore, appears not to have translated into incentives for local meat/milk producers; meaning that in the last twenty years decision makers have not designed and/or implemented successful policies reducing frictions and imperfections in rural markets to the benefits of poor livestock producers.

Unbalanced Pro-poor Livestock Policies

The current shift in policy making, which has placed poverty reduction at the centre of the development agenda, is not expected to change the above trends significantly. First, most national policy documents fail to appreciate the role of livestock in poverty reduction; in particular, they treat livestock production and poverty reduction disjointedly, and implicitly assume that the overall objective for the sub-sector is increased meat/milk production, rather than mitigating against poverty through livestock production. Production-increasing policies, however, do not necessarily benefit the poor livestock keepers who are an extremely heterogeneous group and often, being extremely poor, maximize a survival rather than a production function. Second, while ongoing macroeconomic and institutional policies, which follow the mainstream economic theory, are likely to sustain a conducive market environment, agricultural and livestock sector policies are not adequately addressing the most binding constraints affecting livestock holders. Policies 'establishing the basics' are given secondary relevance as issues such as access to land and water, which are recurrently identified among the main constraints for livestock keepers both in crop-livestock and pastoral production systems, are treated en-passant; most policy documents also fail to detail ex-ante and/or ex-post intervention strategies to insure smallholders against natural disasters. Conversely, national policy documents emphasize the importance of strategies to 'kick-start domestic markets', with a focus on input over output markets: significant reforms are ongoing in the financial sector and in animal health and extension services delivery, while the issues of marketing and market information are marginally addressed. Finally, limited attention is given to policies expected to expand and support livestock production by the poor in the long run. Research activities have been reformed, either through centralizing or decentralizing research institutes, and countries are increasingly open to global markets and willing to satisfy international sanitary standards. These reforms, however, appear to respond to macroeconomic concerns rather than aiming at reducing poverty levels.

Redressing Livestock Policies

The present macroeconomic and institutional policies appear to be pro-poor, and should provide opportunities for livestock keepers to escape out of poverty. On the other hand, agricultural and livestock sub-sector policies are somewhat unbalanced and do not address some of the binding constraints preventing the poor from taking advantages of growing livestock demand. In particular, agricultural and livestock sector policies are biased towards 'kick-starting livestock domestic markets' and 'expanding livestock markets' vis-à-vis policies 'establishing the basics for livestock production'. Yet, in several circumstances lack of secure access to land, feed and water significantly reduces the effectiveness of input and output market policies, with livestock holders overproducing food for insurance, being slow in technology adoption, and accumulating rather than investing savings. It is argued that to make smallholder producers deriving benefits from an increasingly market-friendly environment, governments should better target the causal links between livestock development and poverty reduction, having the livestock-producing household rather than a production function as the policy entry point into the sector. This would imply focusing not only on market policies but also on strategies reducing vulnerability and transaction costs to markets for smallholders. Only then will input and output market, production-enhancing and trade-supporting policies be effectively self-sustainable and pro-poor.