LIVESTOCK POLICIES AND POVERTY REDUCTION IN AFRICA, ASIA AND LATIN AMERICA

Increasing population, income growth and urbanization in developing countries are boosting the demand for food of animal origin. This trend provides significant opportunities for poverty reduction, as an estimated 42 percent of the poor worldwide are dependent on livestock as part of their livelihood.

However, imperfect or missing markets often trap poor livestock keepers in low-income equilibria, preventing them from deriving major benefits from the increased demand for animal protein. Thus, if poverty alleviation is a policy goal, policy makers should identify, design and implement public actions that allow poor livestock producers to take advantage of the increasing demand for meat and milk. This is, however, not a simple task: livestock sector development is shaped by an intertwined mixture of macroeconomic and agricultural sector policies, with livestock sector specific interventions playing a sub-ordinate role, while policy makers in the livestock departments tend to design livestock sector policies in isolation with minimal consultation with other ministries or representatives of the livestock sector.

• A Pro-Poor Livestock Policy Framework

In the last decades most developing countries have gone through orthodox macroeconomic and institutional reforms. These have promoted economic growth but largely failed to significantly benefit poor livestock keepers. For instance, Mali today is a fair, competitive economy; scores well in most measures of governance; and between 1994 and 2003 GDP growth averaged 5.6 percent per year. Yet, Mali is still desperately poor, with over 66 percent of the rural poor holding livestock, and despite the country having a notable comparative advantage in livestock production. The policy challenge, therefore, is not only to create a conducive macroeconomic and institutional environment, but also to make the growth process pro-poor.

To ensure that poor livestock keepers are included in and contribute to economic growth, governments should design and implement policies targeted at achieving three major objectives:

(1) '*Establishing the basics for livestock production*', i.e. providing poor livestock holders with adequate and secure access to basic production inputs. This objective contains two subsidiary policy objectives, which are: (a) securing access to land, water and feed, and (b) providing risk coping mechanisms for natural disasters and price shocks. Insecure access to basic inputs and variability of returns prevent livestock keepers from making efficient use of their scarce resources and from effectively responding to market signals. For instance, high variability of returns may induce pastoralists to over-stock and to use livestock as a form of insurance rather than as a means of production.

(2) '*Kick-starting domestic markets for livestock and derived products*'. This objective has three subsidiary policy objectives, namely to provide secure access to: (a) livestock services, (b) credit and secondary inputs, such as compound feeds, and (c) domestic output markets. Poor livestock producers, in fact, even when 'having access to the basics', may be locked into low-income equilibria as missing or imperfect markets prevent them from availing production-increasing inputs necessary to escape poverty. For instance, high fixed transaction costs and lack of information hinder price transmission, potentially preventing smallholders from fully benefiting from a prospective increase in meat/milk price.

(3) '*Sustaining and expanding livestock production*'. Three sub-objectives are subsumed under this overall objective: (a) securing food safety and quality of livestock products according to national, regional and international standards; (b) promoting research activities in animal feeding and breeding to support the production of high quality commodities; and (c) ensuring the

A Living from Livestock

environmental sustainability of livestock production. These are mostly public goods and necessary elements for countries to be competitive in international markets as well as to avoid smallholders being crowded out from their domestic markets by foreign competitors. For instance, livestock research activities driven by the profit-seeking efforts of private institutions rarely serve the poor, which are thought unwilling or unable to pay for research outcomes.

• Livestock Policies in Africa, Asia and Latin America

The above framework was used to review the current policy environment in eighteen countries in Africa, Asia and Latin America, and to identify potential gaps and inconsistencies in their livestock sector policies. The countries selected for the review are Ethiopia, Kenya, Sudan, 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. These countries are low to lower-middle income rural economies, with the livestock sub-sector accounting for one-third to one-fifth of agricultural value added. Poverty rates range between 15.5 and 79.1 percent.

Macroeconomic and sectoral policies are fairly similar among the various geographical regions and countries. Macroeconomic and institutional policies follow mainstream economic theory and are intended to provide a conducive market environment. Livestock sector policies, however, are not explicitly designed to be pro-poor. The stated policy objective for the livestock sector is usually to increase livestock production rather than to mitigate poverty. Consequently, policies for 'establishing the basics' receive low attention and issues such as access to land, water and insurance are treated en-passant. Conversely, national policy documents emphasize the importance of interventions to 'kick-start domestic markets', with a focus on input over output markets: reforms are undertaken in credit markets and in animal health and extension service delivery, while marketing and market information are only marginally addressed. Finally, some attention is paid to policies aimed at 'expanding and supporting livestock production' in the long run. Research has been reformed, either through centralizing or decentralizing research institutes, and countries are increasingly opening their markets and willing to satisfy international sanitary standards.

• Conclusions and Recommendations

In the case study countries, with a view to rural poverty reduction, the current policy framework appears unbalanced under two perspectives. First, it implicitly focuses on livestock production and productivity, rather than on poor livestock holders and their livelihoods. Second, current policies are biased towards 'kick-starting domestic livestock markets' and 'expanding to international output markets'. Yet, secure access to basic production inputs and reduced vulnerability are key elements for poor livestock holders to efficiently respond to policies designed to 'kick-starting' and 'expanding' markets and hence to escape poverty.

Governments should be more aware of the causal links between livestock sector development and poverty reduction, and take the poor livestock-producing household rather than a production function as the entry point for policy design. This would imply focusing not only on technical issues and market policies but also on strategies promoting access to basic resources, and reducing vulnerability and transaction costs of small livestock producers. Only then will input and output market policies be effective, sustainable and pro-poor.

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