Policy framework for poverty reduction through livestock sector development

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The poor are as efficient as their wealthier counterparts at making use of their resources, as first argued by Nobel Laureate Theodor W. Schultz in 1964 in his seminal work *Transforming traditional agriculture*.

As argued in a preceding research brief (13-01), in countries with large numbers of rural poor, a combined strategy for livestock and staple crop productivity growth, exploiting the close linkage between these two sectors, would have the strongest income-multiplier and poverty-reduction benefits. However, technology transfer alone is not going to transform development, especially agricultural development, in ways that will necessarily be beneficial to the poor. Policy and institutional change is a pre-requisite to steer agricultural development towards meeting the needs of the poor.

Policy framework for inclusive livestock sector growth

The track record of livestock sector development interventions in promoting sustained poverty reduction has been weak; although the rural poor have a major stake in the livestock sector, only a small minority to date have been able to take advantage of the opportunities provided by livestock sector development. This failure has largely been due to a combination of ambiguous national-, regional- and global-level policies and resulting effects that were not consistent with the incentives households have to keep livestock: they marginally influenced the behaviour of livestock keepers and often neutralized, if not undermined, the pro-poor objectives of sector interventions.

Indeed, policies and public interventions in the livestock sector have usually been concerned mainly with technical aspects of livestock production, focusing on details of animal husbandry, breeding, feeding and disease control. Although important, interventions in these domains have regularly disregarded the broader policy and institutional framework in which farmers operate, i.e. the range of incentives and disincentives that underlie household production and consumption decisions.

A comprehensive livestock sector policy agenda should view livestock farming from a broader perspective, and take account of the multiplicity of elements necessary to sustain the sector's development. Such an agenda could be subsumed into three major components aimed at assisting farmers in: (i) ensuring the basics of livestock production; (ii) enhancing livestock productivity and competitiveness; and (iii) sustaining livestock productivity and competitiveness.

Ensuring the basics of livestock production

Policies and programmes to assist farmers in 'ensuring the basics of livestock production' are public actions that both provide livestock keepers with adequate and secure access to basic production inputs, such as land, feed and water for animals, and help them to cope with risks and shocks such as natural disasters (e.g. floods, drought, epidemic disease) and price swings.

Table 1. Ensuring the basics for livestock production

Goal	Rationale	Interventions
Securing access to land, feed and water	Livestock producers need adequate and secure access to land (and associated feed and water resources) to start producing livestock products and by-products	▪ State-driven land and agrarian reform ▪ Market-driven land reform ▪ Regulation of land rental markets ▪ Land titling ▪ Recognition of customary tenure ▪ Land co-management
Providing insurance and risk-coping mechanisms	Variable returns prevent livestock holders from making most efficient use of their resources and lead to adoption of conservative investment decisions	▪ Livestock insurance ▪ Early warning systems ▪ Contingency plans ▪ Emergency feeding ▪ Grazing reserves ▪ Destocking support ▪ Restocking support

Source: FAO (2010).

Enhancing livestock productivity and competitiveness

While secure access to basic production inputs and to risk-coping mechanisms are preconditions for engaging in production, they are not sufficient for livestock keepers to produce market surpluses and escape from subsistence. Policies and programmes aimed at enhancing livestock productivity include all actions intended to facilitate access of livestock keepers to animal health services, credit and output markets – both national and international – all of which are critical for farmers to generate and market production surpluses and for improving livestock's contribution to household incomes.

Table 2. Enhancing livestock productivity and competitiveness

Goal	Rationale	Interventions
Securing access to livestock / animal health services	Livestock keepers are often poor, poorly educated, dispersed and unable to demand public and private livestock services effectively	▪ Decentralization ▪ Cost recovery ▪ Joint human-animal health systems ▪ Subcontracting ▪ 'Smart' subsidies for private service providers ▪ Community animal health workers ▪ Membership-based organizations ▪ 'Smart' subsidies for livestock farmers
Securing access to credit and other inputs	Imperfect and asymmetric information and high transaction costs limit farmers' access to credit and other production inputs, as private agents are rarely willing to serve poor and dispersed livestock producers	▪ Portfolio diversification ▪ Livestock as collateral for loans ▪ Warehouse receipt systems ▪ Mobile banking ▪ Branchless banking ▪ Member-based financial institutions ▪ Credit bureaus and scoring
Promoting access to national (and international) markets	The capacity of markets to indicate how livestock producers should allocate their productive resources is constrained by poor communication and transport infrastructure, lack of or limited information, unequal bargaining power, etc	▪ Livestock farmers / traders associations ▪ Livestock as brokers ▪ Periodic markets ▪ Contract farming ▪ Market information systems ▪ Commodity exchanges ▪ SPS standards ▪ Disease-free export zones ▪ Commodity-based trade ▪ Quarantine zones ▪ Trade-enhancing infrastructure

Source: FAO (2010).

Sustaining livestock productivity and competitiveness

In order to avoid being forced out of the livestock sector, farmers must be able to respond and adapt to changing market conditions and consumer demand. Policies/programmes that aim to sustain livestock productivity and competitiveness include research, environmental protection and all other public actions necessary to support the sustainability and competitiveness of livestock farmers in the medium to long term.

Table 3. Sustaining livestock productivity and competitiveness

Goal	Rationale	Interventions
Promoting the provision of public goods: research	Private research centres are willing to invest in profitable breeds/technologies, but poor livestock holders rarely constitute an attractive market for the private sector	▪ Decentralization ▪ Matching research grants ▪ Levy-funded research ▪ Competitive research funds ▪ Strengthened intellectual property rights ▪ Participatory livestock research
Promoting the provision of public goods: food safety, quality, environmental protection	Livestock production systems may be associated with negative externalities, which need to be dealt with through collective action	▪ Controlled grazing ▪ Co-management of common pastures ▪ Livestock zoning ▪ Discharge quotas ▪ Payments for ecosystem services ▪ Marketing of environmental goods ▪ Environmental taxes

Source: FAO (2010).

Pro-poor and market-driven interventions

Livestock sector interventions that ensure access to basic inputs, and possibly to basic animal health services, to livestock-keeping households are an effective way to directly support their livelihoods. However, more impact on reducing the numbers of the poor can be achieved through targeted interventions, which encourage the less marginalized livestock producers to expand production for the market, enable them to spend more on non-agricultural and non-tradable goods and services - thereby creating employment for less-endowed households - and provide affordably priced animal protein to the expanding market. More immediate benefits to the very poor are more likely to accrue from interventions in other areas such as ensuring fair labour markets and provision of safety nets.

Livestock sector policy-makers are primarily responsible for the supply of public goods and market-driven interventions in the major livestock sector domains, and not for promoting changes in the overall policy framework of, for example, the credit and research domain. However, within broader livestock development policy and strategy thrusts, these policy-makers could make efforts to attract investment and entrepreneurship into the livestock domains where development is likely to make the largest contributions to livestock sector growth. One way of doing this is by facilitating partnerships and collaboration with other public and private sector actors that play essential roles in supporting livestock sector development.

Many market-based policy instruments, which are sporadic interventions / investments to provide incentives to key actors along the supply chain, are not necessarily linked to the specific domains of governmental livestock departments. For instance, although livestock policy-makers are not responsible for regulating micro-credit in rural areas, they could urge financial institutions to explore ways of accepting farm animals as collateral for small loans (as done in Uganda for example). They are also not responsible for the national research policy, but they could set up competitive research grants (again pioneered in Uganda) or matching grants (as found in Malaysia) to promote livestock research in a given domain.

Historical evidence shows that state interventions have been important in supporting critical stages of agricultural market development (Dorward *et al.* 2004), but also that the most essential public expenditures for supporting agriculture do not necessarily lie in the agriculture sector itself (Foster *et al.* 2001). For public agencies mandated to support agriculture, the most important role does not concern public expenditure, but policy-making, regulation and provision of services that the private sector will not provide (Foster *et al.* 2001).

Conclusion

To achieve rapid advances in poverty reduction, interventions in the livestock sector need to be well targeted so that they spur economic growth to which the poor contribute and from which they should benefit. As argued by Burke *et al.* (2007) agricultural development requires coordinated interventions across all sectors and policy priority must be given to providing an enabling rural environment for commercial activities and so in this brief's context poverty-alleviation activities through market-oriented livestock sector promotion. This is sound advice that needs to be taken into account in the future.

Further reading

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