

## **Terms of Reference Kazakhstan Livestock Sector**

1. In the context of the ongoing policy dialogue and collaboration between the World Bank and the Government of Kazakhstan in the rural sector to develop further sector work, a review the Livestock Sector will be carried out. The overall objective of the study is to assist the Kazakhstan government in reaching a consensus for a strategy for the sustainable development of the livestock sector. The joint study is expected to identify priority activities in key policy and investments initiatives that will overcome current and anticipated constraints and facilitate the creation of a demand driven production and marketing system, while assuring affordable availability of essential livestock products to the poor. A number of short policy notes, and a summary report, envisage to provide guidance to Government on necessary changes,
  
2. The review will focus on the following aspects:
  - (a) **the market demand for livestock products**, including prices and where possible preliminary analyses of comparative advantages in the marketing of animal products including the demand in general, elasticity of demand, opportunities to participate in international trade;
  
  - (b) **the macro economic environment**. Why did the sector contract so severely during 1994-1998? How did the sector cope during the macroeconomic stress in the later nineties and what have been the tools used by Government, if any, to accommodate the shock of transition in general as well as the “Russian” crisis in 1998; can the sector cope with a possibly overvalued exchange rate (fueled by energy exports);
  
  - (c) **economics and trade policies of the livestock sector**, including comparative advantages in national and international markets, local stratification (changes) in production and processing;
  
  - (d) **the quality, structure and farmer responsiveness of livestock input/ services** (breeding, animal health, and extension); how well do the services respond to the fragmented producers community, and are there any specific actions to address the specific demand of the larger producers on the one hand and the (poor) small holders on the other;

### **Background**

3. As the economic situation in Kazakhstan has improved, the Government has been reducing its borrowing from the Bank and other lenders. At the same time, the Government recognizes the value of international knowledge and assistance and has developed with the Bank a system to co-finance economic and sector work in key areas. The Government has requested assistance in three areas of the rural sector, specifically

the (i) water, (ii) livestock, and (iii) fisheries.. Each of these areas is important for the development of the rural and agricultural sector in Kazakhstan at this time. The Government has requested assistance in reviewing Livestock Sector to be carried out jointly.

2. The livestock sector is important in Kazakhstan and has potential, not only because of its history, but also in view of the large underutilized rangeland resources, the increasing upscale markets, and the important role the sector continues to play in alleviating poverty in the rural areas and especially in remote villages of Kazakhstan's vast territory. The contraction of the production subsector has halted, and there are signs of an emerging selective local recovery. Most changes are still tentative and constraints along the supply chain (fodder supply, production, breeding, food quality, marketing, and in overall knowledge and skills) continue to affect the sector.

3. The Government's 2003-2005 development plan aims to focus on food security "through the establishment of an efficient agro-industrial complex with competitive products" and lists its objectives as (i) ensuring food security of the country, (ii) establishing efficient agro-industrial systems, (iii) increasing the marketing of primary and processed farm products in both domestic and foreign markets, and (iv) optimizing the state support for agriculture. With respect to livestock development the plan mainly focuses on breeding and animal health, and in the regional stratification of production systems. For a longer term view and development plan for the livestock sector, the Government is interested in the support of the World Bank to do an in-depth analysis of the current issues and constraints in the sector, and to provide guidance and examples on how to address the subsequently identified issues through policy changes and/or programs implemented by the public as well as private sector.

4. Based on a preliminary analysis it appears that the contraction in animal inventory during the nineties may have "overshot" the equilibrium between market demand and feed resources and that there are opportunities for sustainable growth. Whether such growth can be achieved depends on a multitude of conditions. Paramount among these conditions are (i) an economic and government system that will nurture and support private sector developments\ and market economy, (ii) a market demand and infrastructure, (iii) efficient lines of supply and processing (input as well as output), (iv) provision of cost effective and quality services (animal health, breeding etc.) and (v) adequate macro economic and stable political conditions.

5. This possible growth of the sector, however, is not without risk. Apart from the problem to find and hold on to competitive markets (both inside and outside the country) there are externalities associated with intensification of both the production and processing systems, especially the environmental sustainability. As a sector that largely depends on grazing, a livestock policy is integrally linked to the environment and to policies regarding Kazakhstan's natural resources. In view of the size of these resources any drastic change may have global consequences and there is a need for the right polices to guide the sector towards sustainable development.

6. Currently, the sector also fulfills a social role in providing some security and income to people that remained in the rural areas after the break up of the collectives. The total number of households depending on livestock has increased during the last

decade to an estimated 1.6 million, but many of these may be owners against their will, who obtained livestock and other assets during the break-up of the farms, and have few alternatives but trying to survive with their small flock or herd. Development of the sector, therefore, requires a careful policy debate and well thought-out instruments to succeed in both continued support for the rural poor (as long as other social protection systems are deficient) and support for the development of a viable livestock sector.

7. The above described conditions for sustainable growth lead to key questions:
  - (a) Assuming the Kazakhstan has a comparative advantage in livestock production, what are the market failures that are preventing the private sector to pick up on these advantages, and what should Government do to overcome these failures?
  - (b) Why did the Kazakh livestock sector decline more drastically than sectors in other Central Asian countries and what are the lesson to learned, if any, from that experience
  - (c) Do we know what the right strategy for Kazakhstan will be, and if not (yet) what are the necessary issues that need to be resolved and or analyzed?

More specifically, issues that may be considered during the development of a comprehensive strategy for the livestock sector in Kazakhstan include:

Economic issues: Did the animal privatization lead to greater efficiency? What is the comparative advantage of current and future animal products? What are the optimal production systems- i.e. large, small or both – and what are the suitable breeds? What can be learned from successful livestock producers? How can the available input resources be used more effectively and sustainably?

Marketing issues: What needs to be done to improve the efficiency in marketing (local or international market) and marketing chain? Are the current initiatives in market improvement indeed cost effective and do they improve access of the consumers? What is required to develop a consumer-responsive production/processing system? How can vertical integration be improved and processing be promoted. How can quality issues be addressed? What are the wider implications of market improvement (ranging from conditions for WTO membership to road improvement needs

Social policy issues; How to support a commercial livestock farming community in an environment where backyard farmers that produce for domestic consumption, often in lieu of social security, dominate animal ownership and production.

8. The Ministry of Agriculture has in particular requested to discuss (a) the approaches for serving different production system (smallholder and mid size or mega farms; intensive or extensive production); (b) different strategies in breeding-, veterinary- and extension services (e.g. how to serve intensive vs. extensive production systems with the adequate breeds, feeding, animal health management systems; what are the needs in terms of skills); (c) different approaches in marketing and trading: bulk commodities at low costs with little value added (cost leader strategy) vs. production of high quality

products with higher margins (quality leader strategy). In addition, the outcome of the study may also help to decide whether immediate problems should be addressed in the upcoming Agricultural Competiveness Project.

9. It appears, from preliminary policy debate and documents, that the approach to sector development by Kazakh policy makers is still fragmented - often only dealing with a single commodity or animal species - and not well integrated. It is the intend of the study to come to contribute to comprehensive view of the sector, as well as to broader policy issues such as poverty alleviation and linkages to other sectors. The study would also try to involve local decision makers, whether in private or public sector, in the process of taking a more comprehensive view of sub sector

### **Scope of work**

11. The content in this area would be analytical in nature and would result in written studies following reviews of the livestock sector and fisheries subsector. These reviews will look at both the services carried out by MoA and by the private sector. This work will be jointly coordinated by the MOA and World Bank. Local and international consultants will provide background studies, these include

- (i) review the reasons for the contraction of the livestock sector and explain why the sector in Kazakhstan was more severely hit than in other Central Asian countries, and list the lessons to be learned from this experience
- (ii) evaluate the market demand for livestock products, including prices and where possible preliminary analyses of comparative advantages in the marketing of animal products including the demand in general, elasticity of demand, opportunities to participate in international trade;
- (iii) the macro economic environment. Why did the sector contract so severely during 1994-1998? How did the sector cope during the macroeconomic stress in the later nineties and what have been the tools used by Government, if any, to accommodate the shock of transition in general as well as the “Russian” crisis in 1998; can the sector cope with a possibly overvalued exchange rate (fueled by energy exports);
- (iv) economics and trade policies of the livestock sector, including comparative advantages in national and international markets, local stratification (changes) in production and processing;
- (v) the quality, structure and farmer responsiveness of livestock input/ services (breeding, animal health, and extension); how well do the services respond to the fragmented producers community, and are there any specific actions to address the specific demand of the larger producers on the one hand and the (poor) small holders on the other.

The preliminary information will be gathered and analyzed by 6 local consultants. The resulting reports will be analyzed and are the basis of a broader assessment by World Bank and Government staff, supported by international consultants. The latter will, during the FY 2002 mainly focus on the marketing/market demand aspect, as well as on the efficiency of services delivery.

### **Expected Deliverables and Reporting**

12. The Consultant will submit and discuss with the Ministry of Health and the World Bank in workshops in Kazakhstan the following reports:

Hiring of local consultants	January 31
Draft consultant reports received	31 March. 2003
Establishment and meeting of working groups (workshops)	May 2003
Preparation of draft sub sector notes	June 2003
Delivery of draft report specific sub sector policy note	Late June
The study will be finalized in FY 2003:	
Discussion of sector study in open forum with government	August 2003
Issue sector note for discussion in Bank	Nov 2003
Finalize sector note and recommendation	Mar 2004

### **Consultant Qualifications**

14. A team of local and foreign experts will carry out the assignment. The team will have skills in livestock development and economics with at least 5 years experience. In addition, the consultants will have the following skills:

- Training in animal science, economic or related field
- Experience in agricultural/livestock services reviews;
- Experience in working with international organization;
- Experiencing consizee report writing
- (for local consultants) Russian and/or Kazakh language skills, preferably some understanding of English, French or German);
- (for local consultant) Evidence of training in market economics and related topics or of international study visits during the last 5 year will be an advantage;
- (for international consultants) English language skills, preferably some understanding of Russian or Kazakh.
- (for international consultants) Experience in working in the FSU and with the World Bank (sector work and/or operations).

More specific terms of reference are/will be issued for each individual consultant task.

15. The Consultants will provide the following background information: (i) Personal Curriculum Vitae for all key members and proposed staff; (ii) References; (iii) Description of similar works and experience in FSU countries.

#### **Duration of services**

16. The proposed local consultancies would have an estimated duration of 3-person months. International consultants are expected to deliver in maximal 4 weeks.

#### **Payment of services**

17. The followingf is the proposed arrangement for payment of consultants. The consultants will be eligible to receive a 25% in advance payment at the beginning of the contract, 50 % upon receipt of the draft and 25% upon satisfactory submission of the complete report. No final payments are made if the final report is received after June 15 (in case of delays caused by the consultant).

18. The distribution of costs over international consultants and Bank staff, and over national consultants is estimated as 80/20.

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