Mongolia livestock sector: challenges and options

Findings from World Bank projects and analytical work Andrew Goodland

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Livestock sector is in crisis and heading in the wrong direction

- Livestock numbers are increasing and possibly have reached an environmentally unsustainable level; pasture quality is declining rapidly.
- Productivity is declining (a decline of 26% from the late 1980s).
- Herders are extremely vulnerable to climatic risk; and more recently also to price risk.
- The next dzud is a disaster waiting to happen.
- Sector can be characterized as low input – high risk – low output.
- The policy and market incentives in place encourage herders to focus on increasing livestock numbers rather than intensification and improving quality.
Challenge and way forward

- **Challenge:** How to reverse the current decline and develop a sustainable, productive livestock sector providing livelihoods for rural Mongolia.
  - Livestock will continue to be the largest employer in the Mongolian economy for many years to come (even though its contribution to GDP (now around 20 percent) will continue to fall.
  - Benefits from the mining boom are likely to be small and localized

- This will require shifting the incentives in the sector to create conditions for economically and environmentally sustainable development of the sector in the following areas:
  - Markets
  - Risk Management
  - Resource Management
  - Supporting services: technical; financial
Where will growth come from?

- **Domestic markets:**
  + demand is already met – markets are saturated;
  + some movement towards higher value products (meat etc.) but this demand is quite limited;
  + Increasing productivity without accessing new markets will only lower prices and possibly herder incomes.

- **Export markets:**
  + Accessing export markets is critical for the growth of the sector and to lift rural populations out of poverty
  + What are the current constraints and barriers to trade?
    - Phyto-sanitary barriers to markets – animal diseases
    - Competitiveness – supplying low value produce
    - Logistics – moving the product
Addressing the resource management issue

- Open access to pastureland – current systems are clearly not working, downward spiral of increasing livestock numbers and resource degradation.
- Collective action (herder groups) with support from local officials is urgently required.
- Tools are already in place – needs government commitment and attention to make it happen.
- Donors (including WB, SDC, UNDP etc) are committed to supporting government to deliver this.
Addressing vulnerability through risk management

- Remains a critical constraint to development of the sector: decreases investment in the sector; created risk mitigation behaviour, not productivity enhancement.

- Two critical aspects:
  i. Herders and local authorities need to do more to plan and prepare for pasture risk management (such as pasture planning, investments to improve preparedness supported under the Sustainable Livelihoods Program);
  ii. Herders currently bear all the risk: challenge is to transfer a part of the risk to others: private sector (insurance); government (disaster response) and ultimately out of the country (international reinsurance). This is currently being piloted under the Index based Livestock Insurance Project
Supporting services

- The decline in support for services needs to be reversed, including:
  - Monitoring and control of infectious diseases
  - Research and development for livestock breeds
  - Animal breeding including artificial insemination
  - Agricultural extension: technology transfer
  - Developing a feed industry
Role for government: towards more effective policy formulation and implementation

- Better agricultural **policy formulation and prioritization** through
  - Evidence based policy making
- **Governance reforms** for better **policy implementation**
  - *Supply side*: Aligning budgets to policy priorities, outsourcing of functions, results focus, reforming ministry for new roles of coordination and regulation
  - *Demand side*: bottom up accountability – listening to herders and farmers; responding to local demands;
- **More and better investment in public goods**
  - Agricultural research and extension, rural infrastructure, skills, institutional development
- **Coordination of donors and financiers**: MOFALI to take a leadership role in coordination
Sustainable livelihoods program: pastoral risk management component

- **Risk forecasting, preparedness and response planning**: To develop and institutionalize a livestock early warning system (LEWS) that delivers accurate weather and forage predictions, and to strengthen local capacity to prepare and plan for actions to be taken in response to these risk forecasts.

- **Pasture-land tenure, management and use**: To support and institutionalize the preparation, financing and implementation of annual pasture-land management plans at soum level.

- **Demonstrating good practice in pastoral livelihood improvement**: To demonstrate good practice in pastoral livelihood improvement in all demonstration areas through the facilitation of: information sharing; Market linkages; Service delivery; and Documenting and disseminating lessons learned.

- **Institutionalizing Pastoral Risk Management**: To support the nationwide development of a multi-level institutional framework for Pastoral Risk Management
Index-based livestock insurance project

- **Objective**: is to test the viability of commercial, affordable index-based livestock insurance.

- **Scope**: The project commenced in 2005 to pilot an innovative approach to livestock insurance in Mongolia in three pilot aimags – Khenti, Bayankhongor and Uvs. In 2009, Sukhbaatar aimag is added.

- **Approach**: An innovative approach is used: the insurance is based on a soum (district) - level index of livestock mortality.

- **Institutional Innovation**: The project builds a partnership between participating insurance companies and the Government.

- **External financing** is provided by the World Bank (currently US$7.75 million Credit), the Japanese Government (US$1.3 million Grant) and the Swiss Government (US$0.6 million Grant).

- **Additional Financing** for IDA US$8m is being prepared (now at Negotiations stage) to scale up to more provinces.
WB program – now and future

- **Ongoing investment program**: SLP and IBLIP.
  - SLP is currently in its second phase up to 2012 and operating nationwide. A third phase is envisioned.
  - IBLIP: currently negotiating Additional Financing for scale-up.

- **Analytical work**: on-going program to provide studies on critical emerging issues (Livestock Sector Study; meat policy note, etc.)

- **Future investment**: possibilities in the context of new country strategy; rural development and the livestock sector will remain one of the Bank’s core pillars.