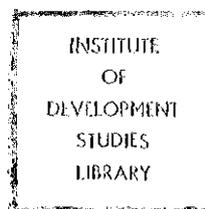


POLICY ALTERNATIVES FOR LIVESTOCK DEVELOPMENT IN MONGOLIA (PALD)

A Research and Training Project



**Summary Report of Work
Undertaken in 1991**

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The Policy Alternatives for Livestock Development (PALD) project aims to facilitate, through training, research and policy analysis, the transition from a command to a market economy in the extensive livestock sector in Mongolia. The project, run jointly by the Institute of Development Studies at the University of Sussex, UK, the Research Institute of Animal Husbandry and the Institute of Agricultural Economics in Mongolia, is sponsored by the Mongolian Ministry of Agriculture, the Supreme Council of Agricultural Cooperatives and the Council of Agricultural Science at the Mongolian Academy of Sciences.

The main PALD programme will, funding permitting, start in 1992, and will last for three years. Thanks to the availability of limited funding from several sources,¹ it was possible for preliminary work to start in 1991, in order to prepare for full project activities in 1992. This short report summarises the conclusions of that work, which is described in more detail in three PALD Working Papers available separately.²

PALD has three main thrusts - training, primary field research, and policy analysis and debate - and progress was made in each of these during 1991.

Training

The relationship between research and policymaking in Mongolia is an extremely weak one. While directives have been handed down from above, agricultural policy is not on the whole responsive to emergent research findings from the agricultural research institutes accountable to the Ministry of Agriculture, nor have research efforts been directed at areas relevant to overall policy. An important PALD objective is to strengthen this relationship, and to show how research findings can inform the process of identifying practical policy options. PALD's training function aims to strengthen the capacity of the participating research institutes to carry out policy research of this kind.

An initial week-long training workshop was held in July for the seven Mongolian research team members, drawn from the Research Institute of Animal Husbandry and the Institute of Agricultural Economics. This provided (i) a basic grounding in the research themes, and (ii) an introduction to participatory field research methods, including those of

1. Funding was received from the UK Ministry of Agriculture, the Esmee Fairburn Charitable Trust and, through its core programme grant to IDS, the UK Overseas Development Administration; all this funding is gratefully acknowledged here.

2. See list of PALD publications at the end of this report.

'rapid rural appraisal'³. The use of particular research methods is described below under 'Research'.

During the workshop, attention was focused on two broad research themes for exploration during the fieldwork: (i) household production and marketing strategies, risk management and vulnerability; and (ii) seasonality, grazing management and land/ natural resource tenure. A range of more specific issues was identified and drawn up in the form of a checklist for use in field interviewing. The most important overall issues were land tenure arrangements, access to forage resources, seasonal fodder and labour constraints, risk and risk management, poverty and food security.

The first phase of fieldwork combined research with in-field training, over a period of a further three weeks or so, in the two contrasting research zones. These were in the provinces of Arhangai (forest-mountain steppe) and Dornogobi (Gobi desert and semi-desert). This phase of fieldwork aimed to consolidate the initial training through 'learning by doing'.

Research

A total of five weeks field research took place during July and August, together with short interim review workshops held in the capital, Ulaanbaatar. There were two broad phases. The first, as described above, combined training with supervised fieldwork by the research team. The second phase aimed to fill in gaps in data coverage, following up specific issues raised during the first phase. This phase including the gathering of more comprehensive statistical data at provincial and district levels, some of which were analysed quickly afterwards and incorporated into the main fieldwork report⁴.

The programme of research and methods used in each of the two zones followed a broadly similar pattern. First, interviews were held with officials at provincial level (in Tsetserleg, Arhangai; and Sainshand, Dornogobi), from both the provincial administration and provincial council of agricultural cooperatives. This was to introduce the research team and outline the purpose of the project, and to acquire provincial level statistics, local maps and other secondary information. Similar interviews were carried out with district level and cooperative officials in the relevant district centres (Zaanhoshoo, Ih Tamir district, Arhangai; and Ulaan Uul, Erdene district, Dornogobi).

Field research was concentrated in a single production brigade within each cooperative: Hukh Nuur brigade in Arhangai, one of five brigades in the cooperative of Ih Tamir district, consisting of 88 households; and Tsagan Hutul brigade in Dornogobi, one of two brigades in the cooperative of Erdene district, consisting of 75-100 households. The research team camped near or stayed overnight with herding families in their felt tents, which permitted interviews to be carried out well into the evening, at times when herders are less busy. The team divided into pairs or groups of three to

3 A background training document was compiled for the introductory workshop in field research methods in both English and Mongolian (PALD Working Paper No.1.). A full list of research team members is given in PALD Working Paper No.2.

4. PALD Working Paper No. 2.

conduct semi-structured interviews or participatory diagramming sessions with individual herding men and women or small groups of herders.

The first methods to be used in each brigade were generally wealth ranking, and participatory mapping and transects. The wealth rankings - designed to understand wealth by local reckoning, and to produce a simple classification of households in each brigade into wealth classes - then assisted in 'stratifying' the brigade for later semi-structured interviewing on a range of issues, for which it is important to understand household background. Such purposive sampling, a key element of rapid rural appraisal methodology, enabled the team to explore the diverse range of circumstances that prevail among herding households, and to begin to understand the different needs and priorities of poorer and better-off households.

Participatory mapping and transects were used by the team to gain a general introduction to each brigade, and to begin to identify grazing and other key resources, and patterns of nomadic movement and broad seasonal migration, especially during risky periods. The large distances involved in covering transects through brigade territory required some members of the research team to travel on horseback, which greatly facilitated interviews with herders met along the way. Covering transects was one of the ways in which the team made conscious efforts to avoid talking with only the more visible and accessible households, as it forces one to leave established roads and tracks.

Interspersed with in-field workshops for discussion of emerging key issues among the research team, the initial checklist of issues was covered as far as possible within time and logistical constraints, using the following methods: semi-structured interviewing; diagramming of labour distribution, production and other seasonal variations; preference ranking exercises (eg. of fodder or animal species); historical analysis, especially of local ecological change; and basic income and expenditure surveying, including income in-kind estimates, using recall methods with households selected from each of the wealth classes identified in the wealth rankings.

The full report of the field research was written up by early September. It was discussed both within the research team and with other researchers and policymakers in a wide range of institutions, and formed the basis of the third phase of PALD work during 1991, policy analysis.

Policy analysis

Several conclusions emerge from the field research relevant to economic policy during the current transition from a command to a market-oriented economy.

The first concerns overall policy options for improving livestock productivity. The fundamental policy choice is between (i) encouraging a rapid increase in the total number of animals, at present levels of productivity, or (ii) seeking to improve individual animal productivity without great increases in the national herd. (The choice is analagous to that in crop agriculture between extending the area cultivated at existing yields per acre, and raising yields per acre on the existing cultivated land.) Given seasonal fodder and labour constraints in the Mongolian extensive pastoral economy, the second policy option - an increase in individual animal productivity on a herd of approximately the existing size - is to be preferred, accompanied by measures to reduce fodder, labour and

other constraints. Measures which were identified to do this include: improved fodder supplies (possibly through the conversion of part of the existing arable land from high-cost wheat to low cost fodder crops, and the adoption of new technologies such as rain water harvesting); encouraging local cooperative labour organisation at key seasonal bottlenecks; policies to encourage flexible labour markets; the introduction of labour-saving technology; and upgrading livestock management to the level of best local practice. A state fodder reserve may be a necessary transition arrangement.

The change from a command economy, where all herders are members of a cooperative or state farm and where a majority of the animals belong to the state or to cooperatives, to an economy where most animals are privately owned and herders may not belong to cooperatives, has important implications for land tenure and access to natural resources. The most promising option on tenure is a combination of statutory support for customary tenure arrangements and renewable leases for groups of herders, probably of the order of 25-30 year rolling leases with five yearly reviews. The existing cooperatives could lease their land from the state, and negotiate sub-leases with groups of herders at brigade or similar level. Such leases should include fixed assets such as winter shelters and wells, and should be flexible enough to allow reciprocal access to neighbouring groups in case of great need. Lease fees based on the assessed value of the land, or the number of livestock grazed, could be levied. Land tenure measures of this sort might be combined with measures to protect and upgrade key, high quality, resource areas, and to encourage private sector fodder production.

The social welfare policies so far pursued by the Mongolian government have effectively reduced economic differentiation and have guaranteed minimum food security in an environment which, like that of all pastoral economies, is variable and risky. But issues of poverty, risk and food security will emerge rapidly under the new economic arrangements planned. A key factor is the distribution of risk, especially of loss of animals, the main means of production. At present, cooperatives and the state carry most of this risk, through a comprehensive state insurance system. With privatisation of most animals, envisaged for 1992, risk will be transferred to individual animal owners; although provision for private animal insurance does exist, individual herders have no experience of such insurance and are unlikely to take it up. Instead, there are signs that they are already switching to customary lower risk/lower productivity herding strategies (such as livestock species diversification). The outcome of livestock privatisation could be stagnation or even a reduction in overall livestock productivity, as herders adopt such strategies on a large scale. However this will not be enough to avoid a new vulnerability in human food security: a major natural calamity such as drought, unusual snowfall, or animal disease could trigger a food security crisis of a sort which the nascent market institutions of Mongolia would be ill-equipped to manage.

The main policy objective in this respect in the extensive herding sector should be to accompany technical measures to increase livestock productivity by guarantees of food security and a safety net against destitution for herders. A key part of this would be the creation of effective state, cooperative and private sector mechanisms to handle risk. These could include, during the transitional period to full privatisation, the maintenance of some level (probably over 20 percent) of cooperative animal ownership as a risk-avoidance mechanism for individual poor herders, as well as specific measures to reduce the risk of failure of individual cooperatives, and the creation of new or improved financial institutions

including insurance and a cooperative bank. The state should extend its direct investments in infrastructure and maintain those in veterinary services. Livestock taxation should be progressive above a basic household herd size. Food security planning and the adoption of a food security policy are important priorities.

With a large number of things to be done, the priorities and sequencing of reforms become important. Present livestock production is probably near the physical maximum given existing constraints. Liberalisation of markets will remove price disincentives, and livestock privatisation will give incentives to herders to take advantage of new opportunities. However other input constraints will remain or increase. The danger is that the supply of animals and animal products will be unresponsive to price increases because of these remaining constraints, and that substantial inflation of the price of animal products will be the main consequence of currently planned reforms.

The key components and sequence of reforms to avoid this situation are: (i) cooperatives should retain between 20 and 40 percent of animals in cooperative ownership, managed on long leases by herders, with the risk of loss covered by the cooperatives through existing insurance mechanisms; (ii) new or improved risk management institutions (preferably competing state, cooperative and private sector insurance companies) should be developed as soon as possible, and in any case simultaneously with the privatisation of animal ownership and liberalisation of markets already planned; (iii) private sector fodder production enterprises should be developed as a matter of urgency, and a state fodder reserve created as a transitional measure; (iv) the supply of other key inputs, especially additional labour and credit, should be facilitated.

Grazing land tenure reform is a less immediately urgent matter, although no less important in the long run. A first step would be for government to negotiate long leases with the cooperatives for their grazing land.

The government should set aside a transitional period of at least five years for the liberalisation of the extensive pastoral sector, and make progress in individual reforms already announced - especially privatisation of animal ownership - dependent on progress in other key reforms, especially risk management and fodder supply, in order that reforms occur in the correct sequence.

Discussion on policy options

The main conclusions of PALD 1991 research, outlined in the previous section, were written up in a series of papers in both English and Mongolian, and circulated to key researchers, civil servants, Ministers and other senior officials. A one-day workshop was convened on 27 September 1991, hosted by the Supreme Council of Agricultural Cooperatives, and moderated by Professor Tumurjav, Chairman of the Council of Agricultural Science, the top scientific advisory body for Mongolian agriculture. Workshop participants included two Agriculture Vice Ministers, the Deputy Chairman of the Supreme Council of Agricultural Cooperatives, the Chairman of the new Agricultural Commodities Board (which is responsible for the creation of free agricultural and livestock markets), and the directors of several scientific research institutes. The PALD team outlined the main

findings, and a lively debate followed on key issues.⁵

Workshop participants in general supported the policy recommendations discussed above. Participants welcomed the initial work of the PALD project, and key officials emphasised that it provided a research framework and specific proposals within which current policy decisions could be situated. All participants urged that the work be extended next year. It was felt that the two priorities were to translate the general guidelines already tabled into detailed policy proposals for rapid implementation, and also to continue detailed field research in order that such proposals were based on good empirical science.

In his summing up, the workshop chairman welcomed the more realistic view of Mongolia's agricultural sector emerging from work such as that of PALD, and said that this provided the only sound basis on which to make future agricultural policy.

Following the workshop, the PALD team also visited key officials and Ministers, including the Minister of Agriculture and the Chairman of the Supreme Council of Agricultural Cooperatives, both of whom had been unable to attend the workshop, and briefed them on the conclusions.

The detailed summary of conclusions, and report of the workshop, compiled as PALD Working Paper No. 3, was circulated in English and Mongolian as a background paper by the United Nations Development Programme to the major Donor Conference held in Ulaanbaatar in mid-October.

In discussions with the main research partners and Ministry officials, it was agreed that, funds permitting, the PALD team would meet in Ulaanbaatar in March 1992 to plan next year's work in detail.

PALD reports during 1991

Robin Mearns, 1991, "A Training Course in Rapid Rural Appraisal Field Research Methods for the Analysis of the Mongolian Herding Economy," PALD Working Paper No. 1.

Robin Mearns, 1991, "Transformation of a Pastoral Economy: A Local View from Arhangai and Dornogobi Provinces." PALD Working Paper No. 2.

Robin Mearns and Jeremy Swift, 1991, "Liberalisation of the Mongolian Pastoral Livestock Economy: Policy Issues and Options." PALD Working Paper No. 3.

5. The workshop report is contained in PALD Working Paper No. 3.