



Livestock and rural finance

The International Fund for Agricultural Development (IFAD) recognizes that improving the access of the rural poor to relevant financial services is a vital tool in poverty alleviation and sustainable rural development.¹

IFAD's mandate focuses on small rural producers engaged in both agricultural and non-agricultural activities and living in areas of widely varying potential, where direct access to financial services can affect productivity, asset formation, income and food security. This thematic paper is based on the assumption that financial services, where effectively developed and delivered, can offer substantial benefits to livestock owners and play a significant role in rural development and risk management and mitigation strategies. Insurance products, loans and financial-support livestock-related microenterprises are just some of the services described and analyzed in this paper.

Despite the recognized importance of these cross-cutting issues, rural farmers, especially herders and pastoralists, frequently have no access to financial services. In an attempt to demonstrate the correlation between rural financial services and livestock-related development activities, this paper identifies the main constraints experienced by livestock owners vis-à-vis financial services and examines the challenges of promoting financial services in livestock projects. It also documents the experience and lessons learned regarding livestock and rural finance yielded by development projects and programmes supported by IFAD and other similar development institutions.

¹ See objectives 3 and 5 in the IFAD Strategic Framework 2007-2010, and the IFAD Rural Finance Policy <http://www.ifad.org/ruralfinance/policy/>

This paper includes a number of case studies related to the following topics:

- Credit in kind systems
- Savings mobilization
- Livestock insurance
- Training on how to achieve financial self-reliance
- Establishment of livestock-related microenterprises
- Targeting households
- Strengthening rural financial institutions

The role of rural finance in livestock development

Livestock-keeping constitutes an important source of livelihood for the rural poor. Livestock owners use their animals either as a means of production (for example of meat, milk, wool, eggs) or as capital (accumulation of wealth), or both.

Investments in livestock provide the following:²

- Long-term security by strengthening social relations through the exchange of stock and products;
- Short-term seasonal security where the net benefits of the harvest are invested in livestock to be sold at the beginning of the following cropping cycle to finance the farm;
- Cash flow through sales of milk, wool or meat, the proceeds of which help cover various household expenses (such as schooling and health care).

The use of livestock for both production and wealth accumulation can increase financial and food security in rural areas, even in the absence of financial services.³ The development of effective and reliable financial services in rural areas could promote sustainable livestock production and play a significant role in poverty reduction, while having a long-term impact on rural household food and income security. Formal credit is used far less often for the acquisition of efficiency-improving inputs for livestock development

(e.g. vaccination, animal acquisition and other investments) than for the acquisition of crop production inputs.

On the basis of the diverse characteristics of rural household economies and production systems, IFAD and other donors have developed a flexible approach to the promotion of financial services with the aim of responding to the varying socio-economic environments and production systems and to the constraints and priorities expressed by final users.

In an attempt to increase the productivity of smallholder farming systems and related value chains, financial services have typically been included in the following three activities:

- Livestock distribution: providing draught animal power, encouraging the purchase of improved livestock breeds or facilitating restocking;
- Purchase of inputs, such as feed, housing, veterinary drugs and animal health care;
- Establishment of small livestock-related microenterprises, including processing and marketing facilities.

However, local circumstances may affect the delivery strategy and the success of such interventions. In these cases, a flexible approach is needed in the provision of financial services in order to systematically take into account specific circumstances and expressed local needs.

Livestock and rural finance: challenges of financial service provision in IFAD-supported livestock projects

A large number of financial products and services are currently available as part of livestock-related development interventions in rural areas. These are mainly provided by informal and semi-formal financial intermediaries such as savings and credit self-help groups and non-bank microfinance institutions; very few such services are provided by rural banks and other formal financial institutions. Access to financial services by the rural poor tends to be limited by two interrelated factors, described below.

² Rural Development Department, World Bank, 2001.

³ However, a degree of insecurity still exists when livestock is considered to be the only means of ensuring food security and well-being (for example, in the event of an outbreak of animal disease, the risk of losing savings is high). In such cases, access to financial services is a way to safeguard what limited savings the rural poor may have.

Financial institutional impediments and poor outreach in rural areas

The interest rates charged on loans are higher in rural areas than in urban areas, largely because the transaction costs of serving rural populations are higher. Rural areas are often characterized by highly dispersed, hard-to-reach communities, weak infrastructure, low levels of economic activity, and financial service providers with limited capacity and a narrow range of products. In order to cover the administrative costs of operating in rural areas and continue to do business in marginal areas in the long term, rural financial service providers often charge higher interest rates than providers serving urban areas.⁴ These interest rates are typically much lower than the rates charged by village money lenders.

As a result, most of the credit from formal financial institutions has flowed to medium- and large-scale farmers who are in a better position to meet the requirements of mainstream banks and more formal financial service providers.

In an attempt to remove such impediments, an effort should be made to develop appropriate financial products and promote new delivery mechanisms for rural and marginalized areas. The regulatory framework for non-formal financial institutions should be improved in order to reduce the cost of their operations significantly, strengthen local infrastructure and increase competition.

Limited resources of rural households

The lack of physical collateral – a prerequisite in obtaining loans from formal financial institutions – tends to make financial service providers wary of lending to IFAD target groups living in remote rural areas. In addition, few formal mechanisms exist for saving money safely there because of the high transaction and administrative costs of working in remote areas. The high costs and risk implications associated with providing financial services to the rural poor in remote areas represent a strong disincentive to formal financial institutions.

An analysis of the experience of IFAD and other development partners in livestock-related activities reveals the following common pitfalls with regard to financial service provision to rural poor people:

Overemphasis of the provision of credit lines to the rural poor

Access to credit is essential for sustainable agricultural development, but loans are not the only financial service needed. Access to credit is often less in demand than access to savings services among the rural poor. Similarly, experience has shown that while loans are important, access to markets and improved technology, coupled with inputs such as feed and animal health services should also be secured.

Unsuitable financial policies

Marginalized areas often suffer from limited presence of financial service providers, high costs of service delivery and related high interest rates on loans. Financial products are not tailored to local circumstances or to the needs of potential beneficiaries.

As a result, project implementation can be severely compromised. Experience has shown that where credit has been channeled through weak, government-owned financial institutions, the provision of financial services has been characterized by low repayment rates, poor levels of service for clients, inadequate monitoring, exit strategies by development agents and limited prospects for sustainability.

Poor understanding of demand for financial services

The failure to adequately assess local demand, the cashflow of potential borrowers and the capacity of their household to repay a loan can result in the design of credit programmes that are not tailored to local circumstances. With an incomplete understanding of the local demand for financial services and their household cashflow, vulnerable people can be burdened with unproductive debts. This leads to low rates of repayment to financial service

⁴ For the sake of clarity, it should be underlined that sometimes reciprocity and trust norms in rural community settings can facilitate informal financing, resulting in cheaper and more accessible credit than that available to the urban poor.

providers and very limited improvements in livelihoods.

Inadequate extension and follow-up on loan repayment

The failure of financial institutions to adequately assess the overall financial risk of a target group and then monitor and supervise their loan portfolio has also led to the provision of untailored credit products and low repayment rates.

Inadequate beneficiary participation in product design and the decision-making process

Failure to understand and incorporate the priorities, choices and views of beneficiaries undermines the sustainability of financial service providers. Participatory approaches are needed to ensure that beneficiaries and final users are involved in the design, formulation,

implementation and final assessment of all supported initiatives, including those related to rural finance.⁵

The changing perspective on rural finance in livestock development programmes

Over the past years, the concept of rural finance in livestock development projects has undergone significant changes. In particular, IFAD's policy with regard to the provision of rural financial services has evolved over time, away from the provision of subsidized credit and towards the development of sustainable rural financial systems that offer a wide range of products relevant to its target group.

Initially, IFAD-supported activities in rural finance focused primarily on the provision of subsidized credit as a tool for rural agricultural development and poverty alleviation. The

Case study 1

Credit in kind in Java – The World Bank

The Provincial Development Programme of Central Java Province, Indonesia, introduced a new loan-in-kind project to replace the existing small ruminant credit system. Final beneficiaries were divided into groups of ten with each farmer receiving two female goats or sheep. The leader of each group received training in small ruminant management and a good quality buck or ram. Each recipient had to repay four eight-month-old lambs or kids over a period of three years. Evaluation demonstrated that this project could be used to introduce a new technology, increase farmers' incomes, improve the production performance of existing goats and sheep, and improve the group dynamics of farmer groups.

The World Bank experience shows that the success of programme activities depends on the proper selection of borrowers. To this end, the following eligibility criteria were used:

- **Financial:** candidates should be informed about risks, rights and responsibilities. They should sign a loan agreement with an agency or a bank, and may have to take out insurance.
- **Environmental:** preconditions for receiving the "loan" include that: (i) the animal enclosure is located and constructed in such a way that it will not lead to erosion and manure run-off in water systems and (ii) animal grazing is controlled.
- **Social:** animal ownership needs to be accepted in the community. New owners should be informed and aware of their responsibilities (e.g. the need to keep animals confined, compensate neighbours for crop damage and care for animal health).
- **Technical:** candidates should be familiar with the technical aspects and risks associated with animal ownership, feeding, reproduction, animal care, etc. More precisely, this dimension includes:
 - **Husbandry:** candidates should have been trained familiar with housing, grazing, and overall management of their animal(s).
 - **Feed resources:** candidates must show proof that their farm produces sufficient fodder to maintain the animal (and future offspring).
 - **Training:** a sound and hands-on training programme should be established and implemented well before the first animals are procured.

⁵ However, limited human and financial resources to design and deliver financial services often constrain the participation of stakeholders in the process.

main objective was to improve the accessibility of financial services for smallholders and livestock keepers by extending credit at artificially low interest rates that did not cover the costs of service provision. It soon became evident that this sort of credit not only made smallholders more indebted, but also harmed the financial institutions, which had to cope with low revenues and low repayment rates.

IFAD's updated Rural Finance Policy identifies the following six guiding principles⁶ specific to the provision of financial services to poor rural household at all three levels of intervention, micro, meso and macro. IFAD interventions in rural finance work to:

- Support access to a variety of financial services, including savings, credit, remittances and insurance, recognizing that rural poor people require a wide range of financial services.
- Promote a wide range of financial institutions, models and delivery channels,

tailoring each intervention to the given location and target group.

- Support demand-driven and innovative approaches with the potential to extend the frontiers of rural finance.
- Encourage market-based approaches, in collaboration with private-sector partners that strengthen rural financial markets, avoid distortions in the financial sector and leverage IFAD's resources.
- Develop and support long-term strategies focusing on sustainability and poverty outreach, given that rural finance institutions need to be competitive and cost-effective and responsibly serve their clients by applying the Client Protection Principles in Microfinance.⁷
- Participate in policy dialogue that promotes an enabling environment for rural finance, recognizing the role of governments in promoting a conducive environment for pro-poor rural finance.

Case study 2

Financial service delivery to pastoralists in India – World Initiative for Sustainable Pastoralism (WISP)

Livestock production has traditionally been one of the most important sources of livelihood for Indian farmers. The increasing contribution of livestock to poverty reduction is well recognized, especially in the semi-arid and arid regions of India where crop farming has limited possibilities.

In order to create development opportunities in marginal communities of the Kutch region, which were severely affected by an earthquake in 2001, the Maldhari Rural Action Group (MARAG) provided financial support to local livestock owners. As its objective is to work with the pastoralist community, WISP supported pastoralist women in facing their daily challenges by offering small loans. The amount was initially given with the intention of helping women in their daily activities without any long-term development strategy planned. However, women developed a group strategy to promote and initiate income generation activities and decided to repay the initial loan through the earnings from such activities. Therefore, local women's savings groups were spontaneously started up with a sustainable long-term development plan.

Gradually, within two years, the women's groups not only repaid the entire amount lent to them but also established a formal bank, the "Mahila Shakti Gramkosh." Today, this institution has approximately 470 women members; more than 70 per cent of these are Maldhari women and the remaining members are from deprived communities. Today, the bank is functioning effectively in the villages and is capable of providing financial services to local communities. The women's bank is also linked with national banks for access to additional capital for on-lending.

While MARAG plays the role of a facilitator, all the women banks' activities -including governance, loan recoveries and general management - are carried out by a committee of women members.

⁶ See the IFAD Rural Finance Policy available at www.ifad.org/ruralfinance/policy/index.htm and <http://xdesk/sites/pt/FAME/RF/default.aspx>.

⁷ IFAD declared its full support for the Client Protection Principles in Microfinance on 22 October 2008 and was a signatory to their endorsement, see: <http://www.cgap.org/gm/document-1.9.6002/Investor%20Endorsement%20of%20Client%20Protection%20Principles%20%202010-20-08.pdf>.

In such a context, since the provision of financial services is an important element of strategies to increase livestock production in rural economies, the following responses have been formulated in IFAD's livestock development interventions.

Use of a credit-in-kind system

Credit is the provision of loans by a bank or other financial institution. Loans can be in cash or in kind (e.g. seeds, livestock and fertilizers) and can be granted to individuals or to groups. In both cases, it is important to provide farmers and technical advisers with training so that they can work more effectively in groups.

Credit in kind is a non-monetized credit system in which credit is granted through the direct provision of inputs such as livestock and animal feed, while repayment is often in the form of outputs such as offspring and seeds. This system represents a possible solution to the lack of collateral and to the high transaction and administrative costs for lending institutions. It also seems highly suitable for borrowers with sporadic cash flows.⁸

Access to savings products

Access to safe and reliable savings mechanisms offers rural farmers numerous benefits, including opportunities for capital accumulation, increased security and self-reliance, and increased capacity to repay their loans and respond to emergencies and threats to their livelihood. IFAD and other development organizations have often included a specific savings dimension, i.e. a compulsory savings component, whereby beneficiaries are requested to deposit a certain amount of their earnings in saving facilities as a collateral substitute for the loan received.

Use of livestock insurance

Livestock insurance is considered as a safeguard against common risks related to livestock production, such as animal diseases,

conflicts among livestock keepers and extreme weather conditions. The insurance is intended to protect beneficiaries in the event of the death of animals through accident or disease.

The concept of livestock insurance becomes relevant when rural poor people have the possibility and desire to move out of a subsistence economy, which is characterized by a day-to-day view. In shifting from a short-term to a medium- or long-term perspective, livestock keepers seek to develop new activities and invest their savings, thus taking some risks. Insurance is needed to protect against such risks.

Development of training sessions

Livestock keepers require training on how to achieve financial self-reliance by maximizing the income-generating potential of livestock production and accumulating wealth and assets.

The project in Mongolia (see case study 3) combined an appropriate targeting strategy with specific training sessions covering the repayment responsibilities of the borrower, as well as the technical aspects of herd management.⁹

Experience in the Plurinational State of Bolivia shows the importance of planning and developing adequate training and extension services in livestock production. Livestock keepers should have full access to feed resources and animal health services and should possess adequate experience in animal husbandry. Limitations in these areas often result in high animal mortality rates and low productivity.

Establishment of livestock-related microenterprises

The household incomes of livestock keepers can be increased and diversified by the promotion of additional income-generating activities, such as product processing and poultry production.¹⁰

8 However, the success of programme activities depends on the selection of borrowers (see case studies 4 and 5).

9 See also case study 1.

10 In addition, developing a comprehensive value chain approach created new opportunities in input supply (e.g. loans for private paraveterinarians).

Case study 3

Arhangai Rural Poverty Alleviation Project, Mongolia – IFAD

In Mongolia, the livestock sector is seen as a key to reducing national rural poverty because the ownership of livestock is widespread among poor rural households. One result of the liberalization of the Mongolian economy was the privatization of the livestock sector followed by the emergence of households with insufficient numbers of animals to provide an adequate livelihood. The IFAD project was designed to address this situation through a livestock redistribution programme that provided additional livestock as loans in kind from rich households to poor herding households.

A specific targeting strategy was developed by providing loans only to herders with 10-20 bods of livestock. In fact, the livestock redistribution scheme did not target the poorest segments of the population because earlier experience in Mongolia had shown that herds smaller than 10 bods (one bod corresponds to one cattle or yak or seven sheep) were not viable, in that they could not ensure the livelihood of a family in the long term.

Due to the liberalization of the livestock sector, herders had to bear all risks associated with their activities, especially those related to the extreme weather conditions (droughts and harsh winters) and endemic diseases. Drought causes fodder scarcity and complicates the preparation of hay for the winter. This is compounded by the fact that animals are sometimes not strong enough to survive through the following winter. To this effect, the project planned to pre-finance the livestock insurance premiums for animals distributed by the project until the loans had been repaid, deducting the premiums from the sale price of the recovered animals.

The project introduced a participatory method to select final users. The selection criteria for beneficiaries were communicated at the sub-district level in print and through radio programmes. Public and local authorities – which included the herder group leaders – screened the applications, verified the information and finally recommended eligible households to the district poverty alleviation council for approval. From application to approval, the procedure took between 30-40 days, a relatively short period considering the complexity of the process, the long distances and the poor communication facilities in the project area. The beneficiary personally selected the loan animals from a pool of animals that first had to pass a “quality check” by the livestock officer. The women beneficiaries appreciated the project support as it led to increased wealth and improved purchasing power. Herders are now able to meet their basic needs such as food, clothing, housing, fuel, water supply, education and health services.

Despite some initial problems, most households continued to insure their animals with their own resources,¹¹ after the first year of cover provided by the project. More specifically, under the credit component, quantitative targets set by the project and then revised during the implementation, were exceeded for livestock restocking: 72 per cent more animals were redistributed to 41 per cent more herders than originally planned. The loan recovery in Arhangai was 100 per cent during the first two years but then declined, particularly following heavy losses of animals due to (a) the harsh winter conditions, (b) extreme drought, and (c) the insufficient compensation paid to herders by the insurance scheme proposed at the design stage. In Arhangai, only 28.6 per cent of those who initially received the loans are still repaying regularly while in Huvsgul, where the weather conditions are less extreme than in Arhangai, the figure is higher (55.4 per cent).

¹¹ For further details, please visit: www.ifad.org/lrkm/region/pi/mn_502.htm

Case study 4

Camelid Producers Development Project in the Andean High Plateau, Bolivia – IFAD

The project area is characterized by a complete lack of livestock production support services in terms of training, technology development, veterinary services and organizations. This has led to the stagnation of traditional production activities and constrained the introduction of new technologies or adaptation to new market opportunities. When the project started, there was a total absence of institutions to support the marketing of agricultural products; the traditional market was hampered by the presence of several intermediaries and a lack of infrastructure.

The project provided credit for production, microenterprises and marketing, and created a community revolving fund and microcredit fund. The first provided credit to registered associations and the latter extended loans to individuals and groups through private small banks. In total, 3,730 camelid producers received credit, especially women, who as a result have been able to increase their participation in the production process, thereby gaining self-esteem and receiving more recognition of their role in society. However, due to their lack of proper collateral (producers did not have durable goods to serve as collateral), camelid producers had limited access to credit and several rural organizations were unable to obtain credit since they had not been legally formed.

Coordination was developed among institutions and individuals involved in camelid keeping, including development programmes, government institutions, universities, producers' associations, traders, processors, NGOs, individual producers and other organizations.

Training has been carried out through strategic cross-cutting activities to ensure the success of all project components, from veterinary services to the development and transfer of technology. Originally, training activities were focused on quantitative rather than qualitative aspects, however, it transpired that while a significant number of beneficiaries participated in the various training sessions, very few actually used the developed skills in practice. In an attempt to make training more effective, the project changed its approach to provide more specific training to smaller groups based on the beneficiaries' own proposals.

IFAD experience shows that intermediate banks that provide credit to beneficiaries for camelid production should receive technical training before starting to make loans. Indeed, training for financial service providers in this region should include the basic economics of camelid production to assess more accurately which kinds of activities are likely to be profitable.

Accurate targeting

In order to improve the prospects of loan repayment, IFAD projects have attempted to target households that are more likely to utilize credit in a productive manner and not simply as inputs for the production system. To this effect, selection criteria are designed to identify farmers with existing ownership of or experience with livestock; sufficient labour resources; adequate housing or fodder for animals; and access to inputs and infrastructure. As described in case studies 1 and 3, beneficiaries are selected with the aim of limiting the risks associated with lending to poor households,¹² with the result that, as in Mongolia, repayment of loans reached 100 per cent in many districts.

In addition, the experience of the IFAD Income-Generating Project for Marginal Farmers and the Landless (P4K) in Indonesia¹³ shows that the access of rural households to financial services could be facilitated by the establishment of cooperatives and self-help groups. In the case of P4K, group members were assisted in planning a sustainable group business plan and in obtaining loans to implement it. Such loans have been used to finance approximately 200 different types of activities, including livestock-raising, small-scale trade, food processing, handicrafts and microenterprises. Further research on the promotion of self-help groups in livestock-related activities could be useful.

¹² To this end, it is important to understand the overall cashflows of the household in order to verify whether the borrower can pay back the loan, whereas the specific activity that the loan may be used for is less important.

¹³ See www.ifad.org/media/success/indonesia.htm for further details of the P4K project.

Case study 5

Rural Enterprise Project, Saint Lucia – IFAD

A major threat to the incomes of Saint Lucia's farmers is posed by farmers' over-reliance on the banana industry and by the worsening terms of trade for bananas. Livestock development was considered an excellent option for diversification, especially for resource-poor households that had already relied in part on livestock as a source of income and nutrition.

The main objective of the IFAD Rural Enterprise Project was to offer smallholders and resource-poor rural households, particularly those headed by women, the option to broaden their income base and reduce risk through a wide range of productive activities. The project design aimed to address the: limited factors of production for non-banana farming, including planting material, water and improved cropping systems; degradation of natural resources due to farming on steep slopes; weak marketing systems; lack of access to credit and other financial services; and weak community organization in providing and using financial services.

In terms of the livestock development strategy, the final objective was to promote environmentally sound livestock intensification systems. This subcomponent comprised three complementary activities: (i) a breeder multiplication and distribution programme, (ii) research and extension and (iii) institutional strengthening. Small-scale livestock production financing has been also targeted. In order to achieve these outcomes, the project allocated funds to credit unions and the National Research and Development Foundation through the Saint Lucia Development Bank.

Positive outcomes were achieved in the areas of marketing and microenterprise development: ecotourism activities were developed and over 520 people benefited from a fund that supported microenterprises involved in several types of economic activities (i.e. new outlets were developed for the output of the production component). Farmers' associations, as well as private businesses, were assisted in the development of trade link. Also, many initiatives have been undertaken to promote local products and provide market information.

A total of 105 beneficiaries have been trained in livestock management and meat processing. Particular attention was given to rabbit-rearing activities in schools and the project assisted in the establishment and management of rabbit enterprises in several schools. In addition, 57 beneficiaries involved in rabbit farming were assisted in setting up an association/ cooperative to provide production and marketing services on a sustainable basis.

Development of sustainable rural financial institutions tailored to local demand

IFAD has created and strengthened a range of both formal and informal rural financial institutions, including commercial banks, agricultural development banks, credit NGOs and cooperatives. Such institutions need to be tailored to the local environment and the production systems of final users. In marginal areas for example, where transhumance systems characterized by low inputs in livestock production and low returns are prevalent, small cooperatives, herders' associations and self-help groups have proved the most suitable. In contrast, formal institutions such as commercial banks may be more appropriate in areas with

high potential for profitable enterprise.

The following case study in Aguié, Niger, shows the importance of considering all components that constitute a farming system when developing rural financial institutions. Although the primary intention in setting up cereal banks was to provide poor local people with seeds, the banks also contributed to the long-term sustainability of local farming systems and livestock activities by encouraging livestock keepers to invest instead of selling their animals to generate cash immediately.¹⁴

¹⁴ Experience has shown that a more flexible credit system – a kind of overdraft for different types of farmers – leads to greater amounts set apart as savings.

Conclusions

This paper has argued that financial services, where properly designed and provided, can play a significant role in rural livestock development and in risk management and mitigation strategies, bringing substantial benefits to livestock keepers. Conclusions drawn from the experience of IFAD and other development agencies have been presented through selected interrelated case studies. Such case studies are of practical relevance to actors at the international, regional and local levels aiming to foster agricultural and rural development in both farming and pastoral systems.

This paper has shown that effective, sustainable and accessible rural financial services are critical to the long-term development of livestock production. Financial services when properly delivered enable livestock keepers to expand, diversify, manage risk and increase their household food and income security. The long-term presence of strong, sustainable rural financial institutions can have a significant effect on rural poverty alleviation.

Finally, it is worth noting that the success of rural financial services in livestock-related project components depends on:

- The existence of an enabling regulatory and legal framework, as well as favourable terms of trade for livestock and livestock products;
- The linkages between access to financial services and other components of development, including access to inputs, markets and marketing infrastructure, land and appropriate technology. Financial services need to be integrated within a value chain by using innovative approaches that address the needs of all actors and ensure linkages among them;
- Targeting households based on their capacity to utilize the financial services to raise the productivity of their livestock and generate household cashflow so that they can repay the loans;
- Close participation of final users, together with a thorough understanding of the needs, constraints, goals, priorities, production systems and environments (agroecological, socio-economic and cultural) of the livestock communities;
- Development of appropriate financial products tailored to demand and delivered through a variety of channels adapted to local circumstances.

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Case study 6

Project for the Promotion of Local Initiative for Development in Aguié – IFAD

Food insecurity is a major problem in the Maradi region of Niger, and particularly in Aguié, the project's target area. During periods of food crisis, households tend to sell their livestock in order to buy seeds and food. In response, the project established "lean-period cereal banks" with local people. By setting up a sustainable crisis prevention and management mechanism that took into account all aspects of the farming system (livestock and crops), the initiative aimed to provide rural women with a means to the safeguard household food security.

The lean-period cereal bank entailed making a weekly supply of cereal available to the most vulnerable women of the village during the lean period, thereby reducing the length of this difficult period for the target group. The amount allocated to each woman was repaid in kind at harvest time, with a maximum interest rate of 25 per cent to replenish the stock and cover various charges connected with the working of the bank. The stages in setting up the bank can be summarized as follows:

- Identification of beneficiary villages, based on the extent of the food insecurity problem
- Storage premises made available by the villages (in year 1)
- Information provision /awareness-raising in the villages regarding the establishment of a lean-period bank
- Identification of beneficiaries on the basis of vulnerability criteria discussed with the local people (availability of land, livestock capital, level of food security)
- Establishment and training of management committees (composed essentially of women in the roles of president, treasurer and secretary)
- Purchase of foodstuffs, allocation to the villages (by the project)
- Foodstuffs made available to beneficiaries (by the management committees)
- Replenishment of stocks at harvest time (by the management committees)
- Monitoring and evaluation of activities (by the project and the management committees)

The following impacts have been registered:

- Contribution to maintenance of the household's capital by reducing the sale of livestock and indebtedness;
- Improvement in agricultural production resulting from the greater time dedicated by farmers to their own fields and appropriate livestock practices;
- Contribution to the food security of the most vulnerable households (through village-level mechanisms to protect households prone to food shortages during the lean period);
- Gains in social and organizational terms: women beneficiaries of the lean-period banks formed groups, meeting regularly to ensure the smooth operation of the bank, thus strengthening social ties and developing mutual aid mechanisms among them;
- The boosting of women's capacities through comprehensive management training. This participation is viewed positively by men, who do not hesitate to let them take part in all development activities.



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