



# **A Public Choice Approach to the Economic Analysis of Animal Healthcare Systems**

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## **EXECUTIVE SUMMARY**

### **Background**

The first economic analysis of the provision of animal healthcare services (and of livestock services in a broader sense) was undertaken by the World Bank in 1991-1992 (1, 2). Its aim was to provide guidance to governments in developing countries, especially in sub-Saharan Africa, on the privatisation of services based on economic principles. In most developing countries however, privatisation has not delivered the desired results. Since privatisation, the primary focus of research into livestock services has been directed towards analysing their performance while only few authors have revisited the underlying economic theories that had driven the policy of privatisation in the first place (3-8).

The perspective taken in the present study differs from most previous ones. Firstly, it takes a retrospective look at the evolution of economic theory of animal health service privatisation, providing alternatives for examining the sector following various pure economic theorists and their underlying philosophical perspectives. Secondly, the study builds on a comparative analysis using economic theories developed in the human healthcare sector, which were developed in the 1960s and 1970s, that is much earlier than in the animal health sector, in order to identify reasons for the failure of the process of privatisation of animal healthcare in many developing countries. This study also highlights explores ways of improving the current sub-optimal performance of animal healthcare services.

### **Objectives**

The specific objectives of the study were fourfold:

1. To highlight the evolution of the perspectives taken in the past in relation to the economic analysis of animal health services (AHS) and their implications.
2. To explore the value of adopting a new approach to the empirical economic analysis of animal healthcare systems.
3. To examine what the role of government should be in the animal healthcare sector.
4. To provide guidance on how to smooth the transition process of privatisation of animal health systems (AHS) in developing countries.

### **Conclusions and Recommendations**

#### **To objective (1) & (2):**

- The application of economic theory to guide the process of privatisation of animal health systems varies in relation to several factors: The privatisation process cannot to be applied in a homogeneous way. Influencing factors such as the physical, political and institutional contexts

need to be taken into account. There is no standard model applicable to the privatisation process.

**To objective (3):**

- The role of government should be viewed at a broader level as coordinator of activities in the animal healthcare sector (increasing cross-sector collaboration), the aim being not only to reduce transaction costs, but also, and especially, to guide current initiatives towards a common goal for AHS.

**To objective (4):**

- In countries that have not undergone privatisation, cost-containment measures could be applied in order to smooth the transition process to a privatised AH market (where applicable).
- In countries where privatisation has been undertaken, efforts should focus on governance of the AHS, such as the creation of an integrated national animal health system in which activities of the different actors involved are coordinated.
- There is a need of further research in relation to the overall organisation of animal health systems and their financing in order to enhance efficiency and effectiveness.