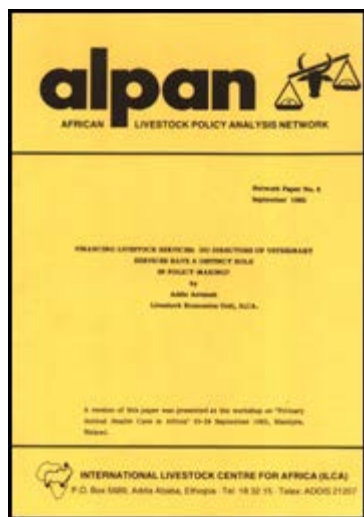


# Financing livestock services: Do directors of veterinary services have a distinct role in policy-making?



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by

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## Introduction

1. Policy issues have recently started to attract attention as a component cause of the poor performance of the livestock sector in Africa. In a conference on livestock policy issues organized by ILCA in 1984, we were able to observe that the most often repeated problems for poor policy formulation and implementation were the lack of reliable statistics, shortage of funds and of manpower. Several studies carried out during the last 10 years or so (please see the reference list for some of these) have shown that, among other things, the availability of domestic recurrent finance and the composition of expenditure therein have continually bedevilled African governments' ability to provide effective agricultural and livestock services.

2. Middle-level<sup>1</sup> policy-makers directly associated with the management of livestock services most often hold the view that the availability of finance is the most critical financial variable but one over which they have little or no control. While it is largely true that other parts of central government (particularly the Central Treasury or Ministry of Finance) control the availability of finance, it could be arguable that there are no other variables which such policy-makers can influence. One that has been pointed out by Sandford (1983) is the ratio between expenditure on the staff and non-staff items of livestock services. He states that "this [financial variable] is something over which the managers of livestock services do have some control"(p. 175). From observations of existing budgetary practices in many African countries - a priori staff and non-staff allocations and very restricted transfers between the two budget items even this does not seem to reflect the prevailing reality at large.

1 "Middle-level" is merely meant to indicate the relative position of directors of veterinary services or others in a similar position compared to policy-makers at a higher level - e.g. permanent secretaries, ministers - not to downgrade their seniority.

3. The manipulation of the ratios between staff and non-staff items of expenditure, wherever possible, is something that can be done within a given government budget. Thus such action is likely to have not only a short-run effect (based on annual recurrent budgets) but manipulation can only be done within the absolute limits imposed by the budget (i.e. the level of funding) which directors of veterinary/livestock services (henceforth DVS) feel they are powerless to affect. There are other variables which are not subject to such budgetary limitations and will also have longer term effects on the adequate funding of livestock services. These include the policy options related to free versus charged services, and public versus private services. The barriers preventing DVS from influencing such policy decisions in the short-term tend to be more political in nature. Middle-level policy-makers may feel they possess little or no leverage over such political issues.

4. This perceived inability to have some direct and significant say on financial decisions (both internal and external to the budgeting process), could have deterred DVS from taking the initiative to search for alternative and less direct ways of influencing the policy-making process. I contend that DVS can and should find ways to influence policy, despite their limited direct leverage on the critical policy variables themselves, if they look hard enough into the factors which determine these variables.

5. The definition of the term "policy" has been extensively discussed by Sandford (1985)<sup>2</sup> and I therefore do not intend to go into that again. What I need to point out is that this paper is concerned mainly with the policy-making process but also to some degree with policy analysis and implementation. We need to determine the role of African directors of veterinary or livestock services (those whom I designated earlier as middle-level policy-makers) in this process.

2 A policy [is] a set of decisions which are oriented towards a long-term purpose or to a particular problem.

6. In most African countries, authority to decide on public expenditure, financing, and related policy is highly concentrated at the level of the central finance and planning organs of government. In light of this, it may appear unrealistic and futile to single out and discuss the "distinct" role of middle-level policy-makers in such a process. On the other hand, it is a historical fact that in several countries of sub-Saharan Africa, most of the present government policy regarding livestock services derives from the relatively strong role played by DVS (e.g. livestock disease control policy in Botswana and other parts of southern Africa). Despite the less overt role that they may presently play, I believe that DVS can be instrumental in the transition from the provision of services largely monopolized by government to the relatively "radical" proposals being put forward to reform the financing and delivery system for livestock services. This reform needs political commitment (de Haan and Nissen, 1985) at the

highest levels of government and DVS are better placed to cultivate this commitment if they are prepared to take the challenge.

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## **Purpose of the paper**

7. The purpose of this paper is:

(i) to identify some of the factors which affect decisions on the absolute level and structure of financing livestock services, on cost recovery and privatization as well as the direction policy is likely to take as a result;

(ii) to explore what instruments are available to DVS or influencing these factors and hence, indirectly, the major policy decisions at the central government level; and

(iii) in the process, to stimulate discussion and seek readers' views as to whether this is an area that needs to be given further attention.

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## Some determinant factors

8. I have restricted myself to those factors affecting policy decisions related to:

- the level of funding from government budgetary sources;
- the proportion of expenditure on staff and non-staff items;
- cost recovery; and
- privatization.

9. As is well-known the dividing line between political factors on the one hand, and economic and social factors on the other is blurred in most instances. So I have not attempted to make that distinction in listing the determinant factors. Neither have I attempted to attach weights to the different factors to indicate the order of priority which DVS may have to give in their action to influence policy. Perhaps these are points that need to be given further attention.

10. In this part of the paper I identify and list those factors which, according to my judgement, have something to do with the policy variables indicated (Figures 1 to 4). This is by no means exhaustive. It is here that I also make some judgement about the latitude which DVS have in bringing about favourable or desirable changes in the major policy variables (which they cannot directly change) affecting the financing and/or restructuring of livestock services. The phrase "potential DVS leverage" is meant to attach some qualitative measure of how wide or narrow this latitude can be vis-a-vis the determinant factors. In order not to crowd the presentation I have deferred the discussion of "strong-leverage-factors" and possible instruments available to DVS to the following section.

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## The level of funding from government budgets

11. The absolute level of funding here refers to the portion of the domestic recurrent budget which the central government is prepared to allocate to livestock services relative to the demands on that budget from other services particularly other agricultural services. Some of the more important factors determining this policy variable are listed in Figure 1 below.

### **Fig.1. Absolute Level of Domestic Funding**

<b><u>Determinant Factors</u></b>	<b><u>Potential DVS Leverage</u></b>
- Fund availability from general tax revenue	no
- Foreign exchange availability and allocation priority	no
- Livestock's economic contribution & policy makers' awareness of its importance	strong
- Public health hazards from animal diseases	strong
- Sector's potential for generating government revenue	strong

12. A "no leverage" in this case means that DVS have no or at best only very limited ability to influence a particular factor to increase the level of domestic funding. For example, bringing about increased overall availability of funds for livestock services through increased general taxes is beyond DVS influence because imposing higher general taxes affecting the general public is the prerogative of policy-makers at the highest level. On the other hand, increasing the awareness of high-level policy-makers to an exploitable potential of the sector to raise greater government revenue is within the reach of DVS and thus offers a strong DVS leverage.

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## Staff and non-staff expenditures

13. Earlier I made the point that, in many African countries, it is unlikely that departments of veterinary services or other similar services receive lump-sum budgets to distribute between staff and non-staff items as they see fit; or that they enjoy the freedom of transfer between these two items of expenditure. So in essence the potential leverage which DVS have in increasing expenditure on non-staff items is mainly by means of reducing costs of operation (non-staff items) or reorienting the staffing pattern. The determinant factors and the degree to which DVS leverage can be exerted on each are shown in Figure 2. For example, by employing relatively inexpensive national staff to carry out a particular activity and reducing the number of highly paid expatriates DVS can reduce the staff allocation. A key determinant factor is the availability of national staff. In this regard, there is a potentially strong leverage because DVS can play a direct role in the training of national staff as well as in subsequently limiting the number of expensive expatriates.

**Fig. 2. Proportion of Staff and Non-staff Items of Expenditure Determinant Factors**

<b><u>Determinant Factors</u></b>	<b><u>Potential DVS Leverage</u></b>
- Availability of national staff	strong
- Proportion of directly recruited expatriate staff	strong
- Civil service employment policy	no
- Salary and wages policy	no
- Strength of civil service unions	no
- Foreign exchange availability for imported non-staff items	no
- Price of imported veterinary requisites	no
- Degree of decentralization of services	strong

14. Civil service employment policy relates to the question of whether government has to employ all those trained by it. This is a factor on which DVS have weak or no leverage as long as livestock services remain in the sole domain of public functions. One would say the same is true of potential DVS leverage on salary and wages policy and the strength of labour unions which are factors beyond their direct span of control. Increased availability of foreign exchange is outside DVS influence. If domestic production of veterinary requisites such as vaccines is determined to be an economic undertaking, potential DVS leverage in pushing the establishment of such facilities is strong. On the other hand, DVS have little or no leverage on the international prices of imported veterinary requisites.

15. Administrative decentralization of staff and activities if properly established will help reduce costs of transportation as compared to services administered from one central location. It is within the direct sphere of influence of DVS where this is technically and financially feasible.

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## Cost recovery policy

16. Cost recovery is one of the important elements of financing policy which determines governments' ability to meet an increasing demand for services in the longer term. As construed here decisions to charge or not to charge are assumed to be made within the framework of services being wholly provided by government. To that extent such decisions determine the absolute level of domestic funding of livestock services and the acceptable level of the budgetary burden government is willing to bear itself or pass on to the general tax payer. Figure 3 below shows some of the factors determining a policy on cost recovery and potential DVS leverage.

**Fig. 3. Cost Recovery (free vs charged services)**

<u>Determinant Factors</u>	<u>Potential DVS Leverage</u>
- Nature of the service	strong
- Government subsidy policy (equity considerations, infant industry argument)	strong
- Financial feasibility of fee collection	strong
- Bureaucratic financial discipline	strong
- Interest group pressure (for or against charged services)	varied

17. Potential DVS leverage on the factors influencing policy on cost recovery appears strong. The general orientation of this leverage would be in clarifying the issues involved in order to avoid pitfalls resulting in across-the-board decisions on making beneficiaries pay for services or on getting them free. The intimate knowledge DVS have or should have of the determinant factors and the clientele they serve ought to provide them with the appropriate tools to influence policy.

18. The nature of the service as a determinant factor for government policy decision on whether to charge or not for a publicly provided service is particularly critical. Many people, including government officials, tend to take for granted that governments continue to provide free services.<sup>3</sup> In the current financial constraints facing most African governments, the issue has become not that certain services have traditionally been provided by government but whether benefits from a particular service accrue or not exclusively to the one individual recipient at the time it is provided. Services of a "private good" nature (i.e. exclusively benefitting an individual) must be paid for while services of a "public good" nature (non-exclusive) ought to be provided free of charge.

<sup>3</sup> I have heard one argument from a director of veterinary services that all services should be considered as public goods because they ultimately contribute to increased food supply which is considered as a major social objective in many African countries. I am afraid this argument is untenable.

19. As in other areas, there are very few purely private or purely public goods, but there are numerous "mixed" goods which may need to be subsidized partially.<sup>4</sup> Because of their intimate knowledge of the services they manage, I believe that DVS are in a position to provide a more rational basis on which the ultimate policy-makers must choose to act. I hold the same view in regard to government subsidy policy, particularly regarding equity considerations - because of their knowledge of the clientele DVS have a strong leverage in targetting subsidies to the most disadvantaged section of livestock service recipients.

<sup>4</sup> In the animal health context, government declaration that a particular disease control programme is

mandatory should not automatically result in the provision of a free service (see Anteneh, 1984 for a detailed consideration).

20. While the financial feasibility of a fee collection scheme does, to a large extent, depend on the level at which a particular fee is set, one must admit it is also a management problem within the reach of DVS. So is the factor of bureaucratic financial discipline where appropriate managerial controls and checks could minimize leakages which threaten the very survival of an established cost recovery scheme.

21. Interest group pressure comes from several directions. Policy-makers' perceptions of political risks associated with imposing or raising service fees is one such factor and an important one. Politicians may be deterred from making decisions on cost recovery schemes even though proposals for user charges may be based on resilient economic justification. Other players are also in the game to varying degrees of involvement - drug manufacturers and distributors, livestock traders, professional associations as well as producers. Particularly as concerns the last group, it is regrettable that managers of agricultural services in general do not try to establish and cultivate a "constituency" whose long-term interests they need to protect, although one realises the overwhelming practical constraints faced under prevailing African conditions. I think potential DVS leverage with producers is strong.

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## Privatization

22. For the purposes of this paper, privatization denotes the process by which governments divest themselves of responsibility for certain functions (in our case the provision of certain livestock services) and transfer to or allow non-government organisations to undertake. Among others, such organisations include private enterprises (firms or individuals) as well as producer organisations (e.g. cooperatives), professional groups or trade associations (for a more comprehensive definition see Rondinelli et al., 1985). Figure 4 below lists some of the factors which could influence privatization to take place.

**Fig. 4. Privatization**

<u>Determinant Factors</u>	<u>Potential DVS Leverage</u>
- Ideological considerations	no
- Nature of service	strong
- Government's regulatory power	strong
- The level of demand for private services	weak
- Private financial profitability	strong
- Government subsidy policy	varied
- Interest group pressure	varied

23. Ideology, in terms of whether private enterprise in particular has a role in major economic activities, is an important factor. Where the political climate encourages active private sector participation, privatization will tend to concentrate more on the transfer of responsibility to private enterprise, although without the exclusion of the other forms mentioned above. In countries with a socialist orientation, governments have generally shown a strong preference for farmer groups which replace private enterprise and take responsibility for providing services (to members). In both situations, the degree of DVS leverage on several of the other factors listed in Figure 4 is contingent on either form of private activity being ideologically supported. However, this choice of ideological support is a factor which decision-makers at DVS level are usually not in a position to influence.

24. The view that potential DVS leverage is strong in defining the nature of the services being considered in a privatization policy is the same as the one advanced under cost recovery. It would be unrealistic to expect wholesale privatization of livestock services. Perhaps the additional point to be made here is that private entrepreneurs being in business for themselves, privatization will also obviate the need for administrative controls of fee collection by government agents (Leonard, 1985).

25. The government's regulatory power relates to its ability to control standards of service and quality of veterinary requisites as well as control connected with public health which are important elements to consider in the process of privatization. This is in addition to the government's possible control to avoid exploitative prices by the private sector. In reference to the first point DVS should be in a particularly strong position to influence the control of standards as they are very closely acquainted with the technical matters of concern to the government. As regards the second point, although the very issue of direct government control of prices for services could be contentious, I suspect that DVS can have greater leverage than is generally believed in influencing the level at which guideline prices for the private sector are established. This has also to be related to their potential monitoring capacity to avoid

monopolistic tendencies to develop in the livestock services market.

26. The size of the market for private services, financial profitability and government subsidy policy are somewhat interrelated factors, but potential DVS leverage varies among them. Potential influence on the first is said to be weak because a government action to transfer its responsibility as a service provider of itself does not automatically create a market for private practitioners. On the other hand, charging levels based on realistic costing from practical DVS experience could be made to be sufficiently attractive for private practitioners to enter the market - this is related to what was said earlier about DVS ability to establish reasonable levels of private fees or charges.<sup>5</sup>

<sup>5</sup> Where, as Creek (1985) proposes, professional associations are used to undertake contract work on behalf of governments DVS leverage in helping to create such a market can be quite substantial.

27. Government subsidy policy in this case refers to at least three types: subsidies to state-owned enterprises (e.g. government trading parastatals involved in the purchase and distribution of veterinary requisites) which are in competition with the private sector in retail sales to consumers; input price subsidies to individual service recipients; and subsidies to the private sector or to producer groups such as farmers' service cooperatives. In the first case, the private sector is unlikely to be attracted if selling prices of the state enterprises are set too low as to undercut private sales. DVS leverage in influencing price setting in parastatal organizations is unlikely to be strong. As regards input price subsidies to individuals, the same argument as for cost recovery will hold true (i.e. the idea of targeted subsidies) and DVS would have a similar potential leverage because of their intimate knowledge of the clientele. The case of subsidy support to private enterprise is a rather novel approach (as discussed in de Haan and Nissen, 1985), and potential DVS leverage is unlikely to be very strong for some time to come. On the other hand, subsidies to service cooperatives or the like are likely to have some strong backing from governments which hold such groups as viable alternatives to private enterprise as defined earlier. DVS have a potentially important input in making these groups acquire the necessary simple skills to carry out some of the less technically complicated services (e.g. vaccinations).

28. As regards interest groups, the first sign of resistance to the privatization process is likely to come from the veterinary profession itself, particularly if government divestiture means the transfer of responsibility to non-veterinarians. Quite frankly, I wonder if it would be realistic to expect a director of veterinary services to have a potential leverage on convincing his peers on this matter.

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## What instruments are available to DVS?

29. Figure 5 below lists some of the instruments available to directors of veterinary services to influence those factors on which they have a relatively "strong" leverage.

**Fig. 5. Policy variables, determinant factors and available instruments**

<u>Policy Variable</u>	<u>Determinant Factor</u>	<u>Available Instruments</u>
I. Level of funding	i. Livestock's economic importance and policy-makers' awareness	a. Information and analysis
	ii. Sector's potential for generating increased gov't revenue	b. Information and analysis
II. Staff and non-staff expenditure proportions	i. Availability of national staff	a. Training
	ii. Directly recruited expatriates	b1. On-the-job training schemes b2. Recruitment freeze
	iii. Decentralization	c. Reorganization
III. Cost recovery	i. Nature of service	a. Analysis
	ii. Gov't subsidy policy	b. Targetting
	iii. Fee collection feasibility	c. Setting economic fees
	iv. Financial discipline	d. Management control systems
	v. Interest groups	e. Two-way information systems
IV. Privatization	i. Nature of service	a. Analysis
	ii. Government's regulatory power	b1. Initiation of legislation b2. Technical specifications b3. Price controls
	iii. Financial profitability	c. Costing guidelines
	iv. Input subsidies	d. Targetting

30. Readers should note the frequent use of information and analysis as a possible instrument available to DVS. This matter should not be treated lightly. As mentioned at the beginning of this paper, everybody including DVS believe that the lack of data in Africa is a major constraint in policymaking. And to many, the first thing that comes to mind when thinking of data is the need to carry out surveys which are considered costly not only in terms of money but also in terms of the waiting-time involved before their results are ready for use by impatient policy-makers. And yet there may be data floating around which may need a few hours per week of junior staff time but which could help policymaking to take the appropriate direction. There are also other means of collecting and analysing data which may not require expensive surveys from the very start. The World Bank (1983) makes a case out of the use of relatively inexpensive administrative records to assist flexible policy-making.

31. It is also important that one determine the purpose for which data are to be used before starting their collection. In the case of financing livestock services, one may tend to underrate what DVS can do to influence the factors identified by way of providing administratively recorded information and making simple analysis for high-level policy makers. For example, in my extensive discussions with several directors of veterinary/livestock services in East and southern Africa, I found out that few if any DVS were aware of or made little effort to know what the contribution of the livestock sector to government revenue looks like - a point of considerable significance to the central treasury in considering a stronger case for allocations to livestock services. I am sure that this information can be compiled from existing government documents readily accessible to the service's staff.

32. Staff at field offices can be requested to provide some feedback on how beneficiaries in their mandate area view the effectiveness of the service and on producers' attitudes to cost sharing. Staff from headquarters can make spot-checks on how service recipients assess the behaviour of field staff during the former's field visits, however infrequent such visits may be. DVS can provide some qualitative judgements on the likely effect on the disease situation of the prevailing pattern of recurrent financing. Many African veterinary departments provide information to the OIE and IBAR on the animal disease situation in their respective countries on a more or less regular basis. I am not aware if some additional effort is made to alert national policy-makers of the possible causes related to the financing pattern for the occurrence or recurrence of a particularly bad situation. The exercise should not be restricted to extracting funds to contain a crisis already created.

33. DVS can also provide occasional information on what other countries are doing in a particular area of policy and, considering the differing situation among countries, give their views on what is possible to do on their own. Meetings<sup>6</sup> and other for a such as ILCA's ALPAN are definitely useful for exchanging ideas; the solidarity of the veterinary profession can be used to serve the additional purpose of developing mechanisms for exchanging such inter-country experiences.

6 Such as the one on "Primary Animal Health Care in Africa" recently held in Blantyre, Malawi for English-speaking countries and the earlier one held in Bujumbura, Burundi (October 1984) for French-speaking countries.

34. I realize that most DVS reading this bit will find me guilty of oversimplification. Data collection surveys of a more complicated nature are necessary in several instances, but we cannot continue to make lack of information an absolute excuse for helplessness while seeing services deteriorate. I would certainly like to share my worries with you in this respect.

35. One does not, of course, collect data and not use them for some purpose. That is where analysis is important as an instrument of policy-making. Some of such analysis requires some economic, statistical or financial skill. The policy formulation unit suggested by de Haan and Nissen (1985) as part of their reform proposal is extremely relevant to the issue. I would only wish to add that the unit's functions also cover analysis in defining the nature of a particular service, in setting economic fees (service pricing) and in providing insights into subsidy policies.

36. I have dwelt long on the information and analysis bit because I think it represents a grey area, at least as far as it being an instrument for DVS in influencing policy on financing livestock services. I believe that the others appear sufficiently straightforward, at least in the context of my presentation; but I urge ALPAN members to give their views on these other issues.

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## Conclusion

37. In this paper I have tried to deal with policy issues related to the domestic funding of livestock services. There is hardly anything earthshaking in what has been said. I also realize that policy changes need political commitment at the highest levels of government. But I believe equally that DVS can have a distinct role in the policy-making process. I have attempted to advance the view that they have sufficient elbow-room to influence some of the factors that determine the policy variables and options even if they cannot on their own change policy.

38. In a sense this reflects the distinct options which are available to DVS as different from higher level decision-makers. DVS can be instrumental in the transitional phase between free services at one end of the spectrum to privatized services at the other. In this distinct role DVS are also in a position to sustain the momentum of appropriate policy changes in the financing of livestock services. But the first and critical step in this process is that DVS themselves have the conviction that they can play this distinct role. I hope this paper has made a little contribution toward making them take that step.

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