



THE WORLD BANK



Enhancing Control of HPAI in Developing Countries through Compensation: Issues and Good Practice

**Christopher Delgado,
World Bank**

**on behalf of a multi-disciplinary,
multi-agency team**

Bamako, December 6, 2006

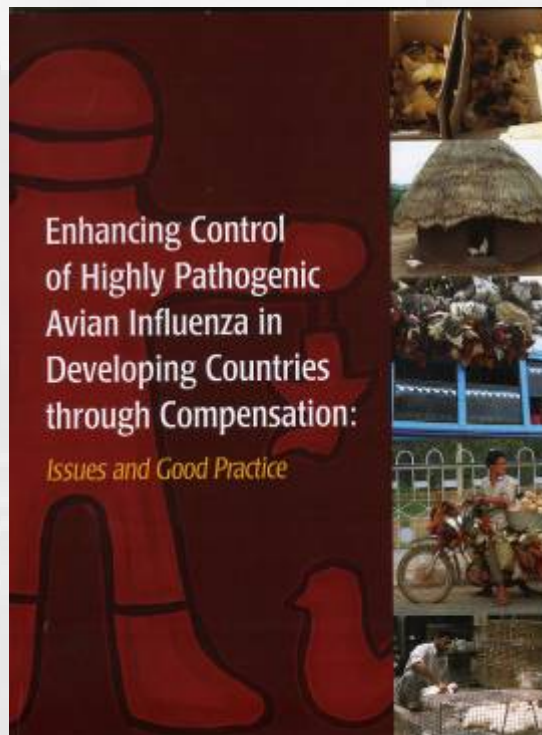
Enhancing Control of HPAI in Developing Countries through Compensation:
Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK



Background, Approach, and Context of the Report



Enhancing Control of HPAI in Developing Countries through Compensation:
Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK



Background

- Priority request of Int'l Conf on Avian Influenza, Vienna June 2006
- Help with new disease control programs
- Collaborative with FAO, OIE, and IFPRI to review experience
- Link compensation practice to success or failure in culling
- Assess good practice based on experience

Enhancing Control of HPAI in Developing Countries through Compensation: Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK



Approach

- Multi-disciplinary, multi-agency
- Review of rich published OECD literature
- Developing country gray literature
- Staff interviews, experience
- Field visits to Indonesia, Egypt and Vietnam

Enhancing Control of HPAI in Developing Countries through Compensation: Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK

Outline of Report

- The context for compensation
- Who to compensate
- Types of losses and subset to compensate
- Levels and timing of compensation
- Boosting awareness
- Organizing payment
- Transition as disease become endemic





THE WORLD BANK

Purpose of Compensation

- Long history of compensation for animal disease control (documented since 1866)
- Encourage early reporting of disease outbreak and culling orders
- Reimbursement for legitimate private property destroyed by the State for the public good
- Cannot replace separate measures for equity, asset transfers to poor





THE WORLD BANK

Indicators of Success



- Disease spread is reduced, transition to full control increased
- Measures are known and understood by all
- Those entitled are paid
- Compliance with reporting and culling increase relative to estimated pool
- Livelihoods distress related to culling is reduced



THE WORLD BANK

Indicators of Lack of Success



- Low level of compliance reporting, culling
- The disease spreads out of control
- Some entitled persons are not paid
- Compensation adds to inequality
- Procedures are poorly understood
- Inconsistencies in application of rules across zones and sizes of farm

Bottom Line: Differences in production systems are fundamental to approach

Context: Large Commercial Poultry Systems



THE WORLD BANK



- FAO/OIE Sectors 1 and 2
- Predominates in OECD and found in parts of many developing countries
- High to moderately high biosecurity
- Uses commercial inputs
- Tied into formal financial systems
- Generally has good access to vet services

Enhancing Control of HPAI in Developing Countries through Compensation: Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK

Context: Smallholder & Backyard Poultry Systems



- FAO/OIE Sectors 3 and 4
- Typical of developing countries
- Some to very low biosecurity
- Some commercial but also local inputs
- Some access to banks but mostly own or informal sector finance
- Access to vet services is mixed, depends on extent and pro-activity of public vet service



Enhancing Control of HPAI in Developing Countries through Compensation: Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK



Main Results

Enhancing Control of HPAI in Developing Countries through Compensation:
Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK

Effective Schemes:

- Compensate the appropriate beneficiaries an appropriate amount
- With only a short interval between reporting, culling and payment
- Require considerable advance prep
- Require financial, institutional and human resources
- Much harder to do AFTER disease outbreaks





THE WORLD BANK



Preparedness is Key

- Legislation that spells out the rights and responsibilities of individuals and various State actors in animal disease control
- A broader disease control strategy in place
- Prior agreement among stakeholders on the who, when, how and how much of compensation
- Resources for implementation that are immediately available for response

Enhancing Control of HPAI in Developing Countries through Compensation: Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK



Identification of Beneficiaries

- The owners of the animals culled
- Other losers from the disease outbreak typically not compensated by a disease control program
- Complications:
 - Contract farmers often compensated for labor input to flock culled
 - Ensuring actual decision-makers are involved (such as farm wives in some cases)
 - Lack of info on smallholder flocks

Enhancing Control of HPAI in Developing Countries through Compensation: Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK

Losses to Compensate

- **Direct losses** are the ones compensated in whole or in part
 - Birds destroyed
 - Disinfection/disposal where practical
- **Consequential losses on farm** typically not compensated: downtime, impact of movement controls, price declines—hard to do and costly





THE WORLD BANK

Losses to compensate (2)

- **Indirect losses** off farm are by far the largest losses (of the order of 3 to 4 times direct plus consequential losses)
 - Lost input sales, lost tourism, etc.
- Never compensated by disease control programs, as not part of incentives for compliance
- Can be insured against where risks are well-known (e.g. OECD countries?)





THE WORLD BANK



Setting Compensation Rates

- Should be based on **pre-outbreak market prices** as fixed % of a periodic average market price, not production costs or budget availability
- Big market price drops post outbreak but **usually full recovery in a few months**
- Need a **regularly collected price series** with procedures to adjust back to farm gate (allows flexibility if price declines persist)



THE WORLD BANK

Compensation Rates (2)



- Should set relevant categories in advance, as **simple as possible**: e.g. broiler, layer, duck, native chicken
- High value special cases an issue
- Rates should be $>50\%$, and ideally between **75% and 90% of market**
- Avoid influx of healthy birds for culling from outside and selling off of diseased birds: important to control movement



THE WORLD BANK

Establishing Awareness

- Communication should be **10-20% of total disease control budget**
- Awareness of issues and options by all in chain key to success
- **Requires advance preparation of messages and diffusion**
- **Requires chain of command** for health oversight of messages combined with professional communication skills





THE WORLD BANK

Organizing Payment

- Response has been most rapid when national budgets have contingency line items of **3 to 5% of total budget**.
- Forecast **compensation needs in % of market value of national flock** :
 - 1% where little trade and institutions strong
 - **5% most developing countries; beyond this level strategy shifts to vaccination**
 - 10% upper limit, applicable if trade w/o vaccination is a major issue





THE WORLD BANK



Governance

- **Major concern** for most governments and their partners, can delay response
- Problem is **worst where preparation in advance of an outbreak is least**, as the prior agreements, arrangements and stakeholder buy-in are yet to be achieved
- Where outbreaks occur **in an unprepared institutional environment, *ex post* audits substitute for *ex ante* institutions** and procedures, but not fully



THE WORLD BANK

Organizing Payment (2)

- Prep includes cross-provincial arrangements and cross-ministry coord.
- **Pre-existing data base** of eligible parties is key to rapid response and governance
- **Large scale commercial** have records and bank accounts that simplify issues
- **Payment in cash of smallholders** within 24 hours of culling; vouchers OK if good rural post offices or other institutions





THE WORLD BANK

The Way Forward



- As disease becomes **widespread or endemic, strategy includes more vaccination** before coming back to culling for final eradication
- **Long term, private solutions (insurance)** will need to pick up some of the costs for the large scale commercial sectors;
- **Public compensation likely to remain a tool** in dealing with smallholders, with cost sharing by stakeholders

Enhancing Control of HPAI in Developing Countries through Compensation: Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006



THE WORLD BANK

The Way Forward (2)

- **Expectation that countries will start implementing the preparedness measures**
 - Adequate vet. services, PVS assessment
 - Other institutional and training preparations outlined above
- The international public good issue of preventing virus mutation/reassortment may **mandate fast-disbursing international tools** for speeding responses

Enhancing Control of HPAI in Developing Countries through Compensation: Issues and Good Practice. 4th Int'l Conference on HPAI, Bamako, Dec. 6, 2006





THE WORLD BANK

The Way Forward (3)



- Under **globalization, spread across borders of zoonoses and other diseases** will become worse
- Lessons learned and **institutions built from implementing compensation for HPAI will greatly increase the capacity of countries to deal with these threats**
- **Experience since early outbreaks (e.g. Vietnam since 2003) shows value of ex post evaluation** and refinement of approaches