



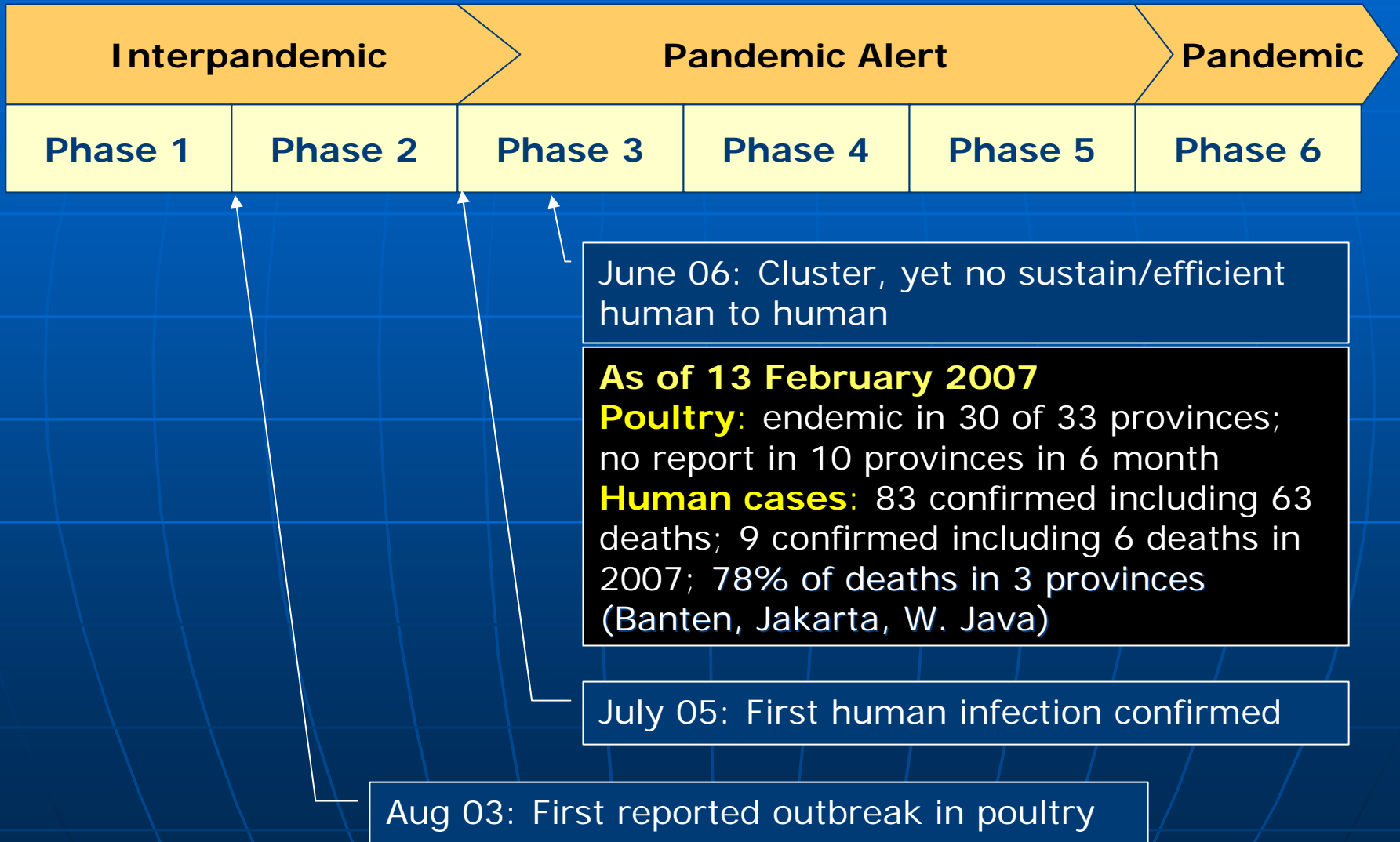
# **INDONESIA**

## **Culling Compensation Policy and Practice**

**National Committee for Avian Influenza Control  
and Pandemic Influenza Preparedness  
(Komnas FBPI)**

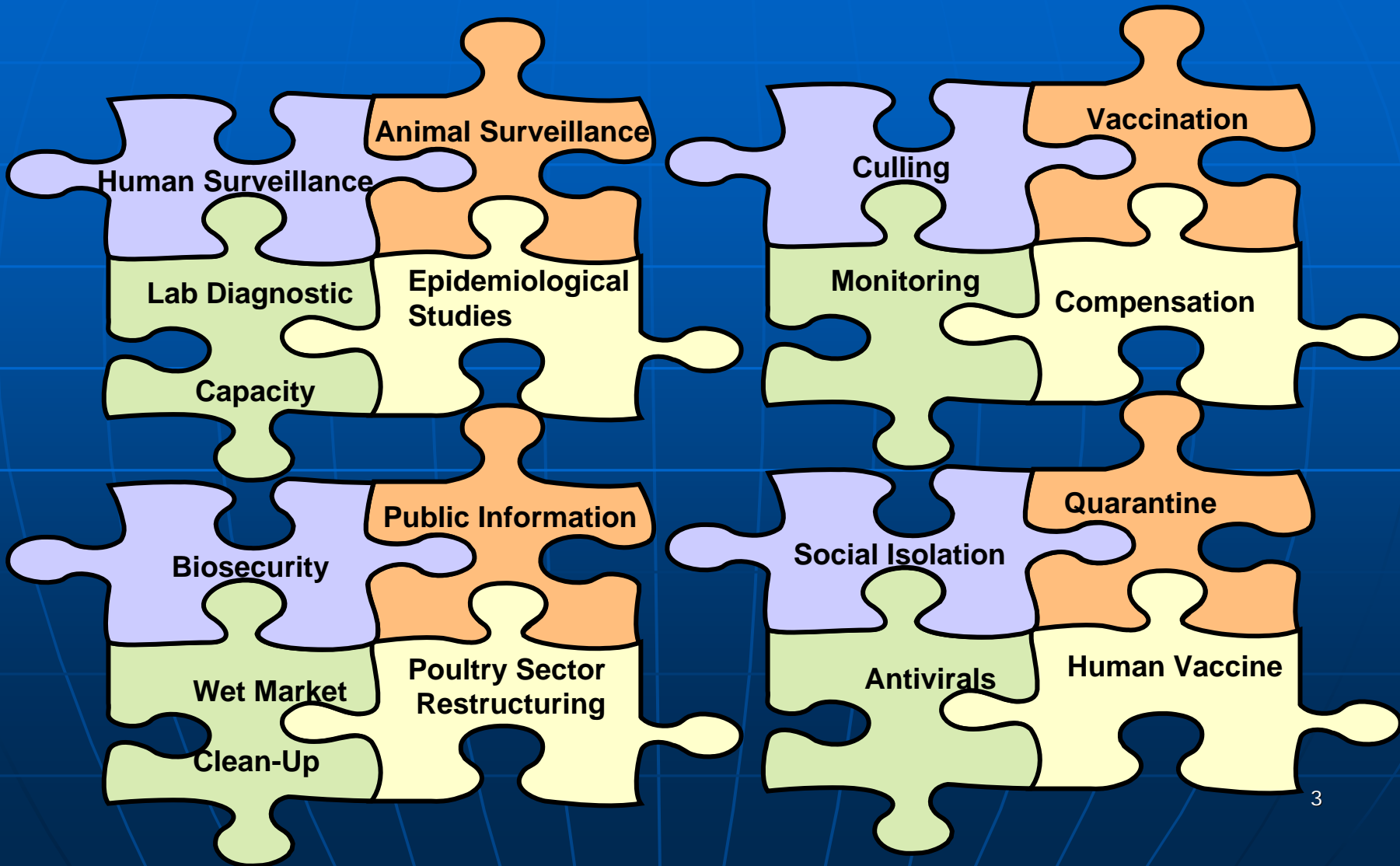
13 February 2007

# Chronology of AI in Indonesia



# Putting Together the AI Control Puzzle

## Culling and Compensation Key Pieces



# Culling: Three Rules of Thumb

## Why to cull?

- ▶ To reduce virus circulation and thereby limit spread among poultry, prevent direct human exposure, and mutation risks

## What to cull?

- ▶ All confirmed infected and exposed poultry stocks.

## Where to cull?

- ▶ In areas where AI infections are detected and confirmed.
- ▶ SOP = 1 Km of active outbreak in endemic areas.

# Poultry Population: 1.3 Billion Birds

Compensation can get very expensive very quickly

- Sector 1 (Industrial integrated)
  - Sector 2 (Medium scale)
- 80% poultry population
- Sector 3 (Small scale)
  - Sector 4 (Backyard farm)  
– 30 million households
- 20% poultry population

# Extended Need for Compensation

- 'No chicken' for 3 – 6 month after cull:
  - Income loss?
  - Employment for small scale farm?
  - Farmers/poor house hold own consumption for egg and meat (protein intake)?
- Relocation of poultry farm and related activities ?
- Improvement in distribution and retail system (slaughtering house, wet-market, etc). Cost ?

# Budget for Compensation Limited

- Two GOI budget sources
  - DGLS – annual budget: focal culling around active poultry outbreaks
  - KOMNAS FBPI – emergency budget: culling associated with human cases
- Amounts limited
  - 2006 – Rp 33 billion – enough for about 3 million birds only
  - 2007 – Rp 15 billion from DGLS plus up to Rp 100 billion from emergency budget, if needed.
- Before 2007 no donor funding, 2007 yet to be cleared

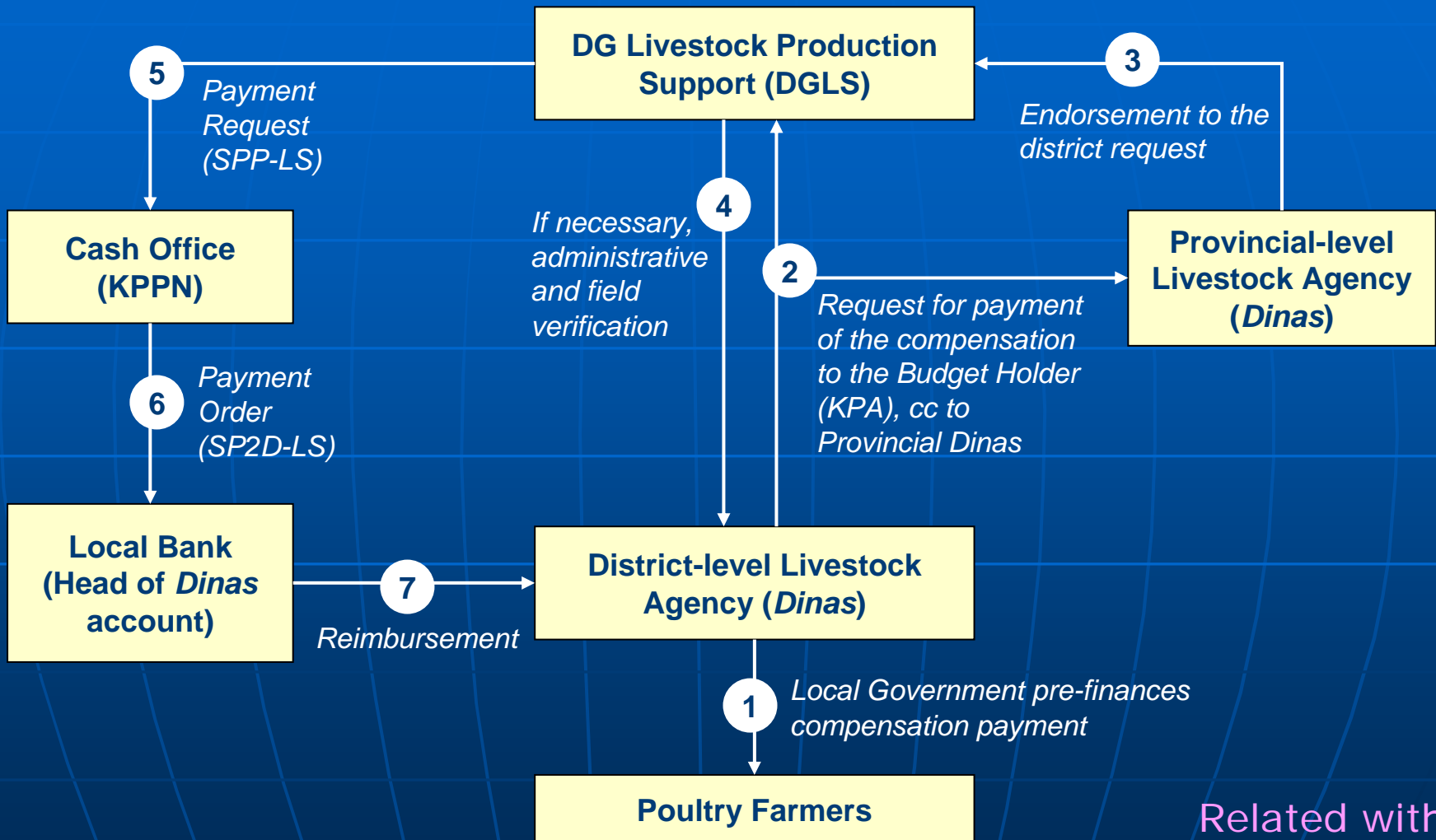
# Compensation

## Current Practice and Issues

	Practice	Issue
Who?	<ul style="list-style-type: none"> <li>▶ Farmers in Sectors 3 (small-scale) and Sector 4 (backyard)</li> </ul>	<ul style="list-style-type: none"> <li>▶ No compensation for Sector 1 and Sector 2</li> <li>▶ Moral Hazard – how to ensure compensation does not create disincentive for control</li> </ul>
What?	<ul style="list-style-type: none"> <li>▶ Culled confirmed infected and potentially exposed birds</li> </ul>	<ul style="list-style-type: none"> <li>▶ No compensation for dead birds –no incentive to report and dispose of properly.</li> </ul>
How Much?	<ul style="list-style-type: none"> <li>▶ Originally Rp2,500 per bird</li> <li>▶ Increased to Rp10,000 per bird</li> <li>▶ Now up to Rp12,500 per bird</li> </ul>	<ul style="list-style-type: none"> <li>▶ Flat rate overcompensates for some types of birds and undercompensates for others</li> <li>▶ Local market price differences - Java versus Papua</li> </ul>

# Compensation Funds Flow

## Complex and Slow \*)



Note: Steps 3 (endorsement) and 4 (verification) are not stipulated in the Decree (but are based on presentation provided by DGLS).

Related with greater budget and financial system

# World Bank Support for Improved Compensation System

- \$ 3 M over two years (AHI Facility Grant)
- \$0.3 M to design improved culling compensation system – draw lessons from other compensation systems and Indonesian experience with cash transfers
- Pilot project : \$2 .5 M Compensation Fund and \$0.2 M operating costs to implement improved system in 6 districts