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

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

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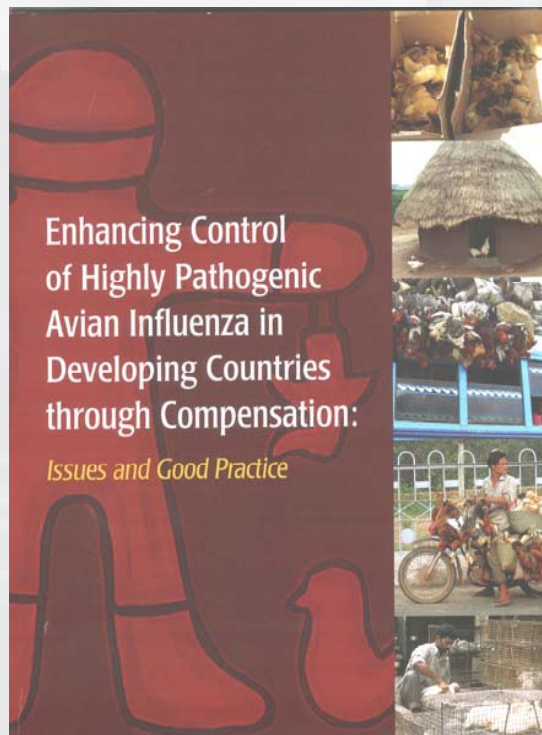
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# Background, Approach, and Context of the Report



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# Background

- Priority request of Int'l Conf on Avian Influenza, Vienna June 2006.
- Link compensation practice to success or failure in culling
- Assess good practice based on experience



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# Approach

- Multi-disciplinary, multi-agency (collaboration between World Bank, FAO, OIE, and IFPRI)
- Review of rich published OECD literature, developing country grey literature
- Staff interviews, experience
- Field visits to Indonesia, Egypt and Vietnam





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# Outline of Report



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

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# Purpose of Compensation

- Long history of compensation for animal disease control (documented since 1866)
- **Encourage early reporting of disease outbreaks and compliance with 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





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# Indicators of Success



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



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# Indicators of Lack of Success



1. Low level of compliance reporting, culling
2. Disease spreads out of control
3. Procedures are poorly understood
4. Some entitled persons are not paid
5. Compensation adds to inequality
6. Inconsistencies in application of rules across zones and sizes of farm



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# Context



Bottom Line:

Differences in production systems are fundamental to approach to compensation



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# Context



## Large commercial systems (FAO/OIE Sectors 1 and 2)

- Predominates in OECD and found in parts of many developing countries
- High to moderately high biosecurity
- Commercial inputs, formal financial systems, good access to vet services



## Smallholder and backyard systems (FAO/OIE Sectors 3 and 4)

- Typical of developing countries
- Some to very low biosecurity
- Some commercial but also local inputs, mostly own/informal sector finance, access to vet services mixed





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# Main Results

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# 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





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# 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 who, when, how and how much
- Resources for implementation that are immediately available for response



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# 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





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# Losses to Compensate (1)

- **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





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# Losses to compensate (2)

- **Indirect losses** off farm are by far the largest losses (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?)





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# Compensation Rates (1)

- Based on **pre-outbreak market prices** as fixed % of a periodic average market price (not production costs or budget availability)
- Big market price drops during/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)





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# Compensation Rates (2)

- 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





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# 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





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# Organizing Payment (1)

- 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 reduce culling**
  - 10% upper limit, applicable if trade w/o vaccination is a major issue



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# 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 prior agreements, arrangements and stakeholder buy-in are needed
- Where outbreaks occur **in an unprepared institutional environment, *ex post* audits substitute for *ex ante* institutions** and procedures, but not fully



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# 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





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# The Way Forward (1)

- As disease becomes **widespread or endemic, strategy includes more vaccination** before coming back to culling for final eradication
- **Long term, private solutions (insurance)** to pick up some of the costs for the large scale commercial sectors
- **Public compensation likely to remain a tool** in dealing with smallholders
- **Expectation that countries will start implementing preparedness measures**





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# The Way Forward (2)

- IPG issue of preventing virus mutation/ reassortment: a need for **fast-disbursing international tools** to speed responses?
- Under globalization, **spread across borders of zoonoses and other diseases** will become worse. **Lessons learned and institutions built from implementing compensation for HPAI** will increase the capacity of countries to deal with these threats
- **Experience since early outbreaks** shows **value of ex post evaluation** and refinement of approaches

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Thank you

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