Establishment of a National Compensation Scheme

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1. Introduction

The Government of Armenia (GoA) has received funding from the International Development Association (IDA) of the World Bank Group and from the Government of Japan to implement an Avian Influenza Preparedness (AIP) Project intended to minimize the threat posed by Highly Pathogenic Avian Influenza (HPAI), as part of the Global Program for Avian Influenza. Under the animal health component the Project will provide funds of up to US$0.75 million (US$0.1 in the first instance and US$0.65 based on actual needs) to finance a national compensation scheme. Disbursements of these funds will be conditional upon the establishment of a “Compensation Procedures’ Manual” that is acceptable to the IDA of the World Bank Group.

The purpose of this report is to set forth a coherent framework of specific recommendations for the design and operation of the national compensation scheme. It has been prepared following a first visit to Armenia by the international legal and operational consultants (January 21-31, 2007) and a second visit by the international legal consultant (April 2-7), during which a workshop was held (on April 4, 2007) to discuss the proposed recommendations. The report is expected to be further revised following of another visit by a new compensation operations’ consultant.

The report comprises 5 sections. Section 2 provides a brief overview of the poultry sector and culling and compensation estimates. Sections 3 and 4 respectively present and discuss the main institutional and legal issues and operational issues to be addressed for the creation of a national compensation scheme, setting out proposed recommendations and, where appropriate alternative options. Section 5 includes a schematic overview of proposed compensation procedures. Section 6 presents the next steps that will have to be taken to establish and operate the scheme and includes a time-bound implementation plan of action.

Annex 1 includes a summary of the relevant legislation of Armenia currently in force. Annexes 2, 3 and 4 include the proposed compensation policy, legislation and compensation procedures respectively.

2. Background

The Food and Agriculture Organisation (FAO) classification of poultry sub-sectors defines four sectors: Sector 1 comprises industrial and integrated poultry producers; Sector 2 comprises industrial and non-integrated poultry producers; Sector 3 is neither industrial nor integrated and comprises commercial poultry producers and Sector 4 comprises backyard poultry producers.

The Project Appraisal Document (PAD) for the AIP Project does not make a clear distinction nor does it provide detail on the characteristics (e.g. numbers of poultry, types of production systems, types of breeds, state of bio-security) of these sectors in Armenia. In Annex 4b of the PAD on “culling and compensation procedures, it notes “in 2005, there were an estimated six industrial enterprises with more than 500,000 birds each, 20 poultry farms with 2000-5000 birds, and roughly 20,000 backyard farms with more than 100 birds” (Pg. 52, Fn. 8); and reference is made to “village and backyard poultry” and “medium-scale and large-scale
poultry operations”. It would appear that the former are intended to refer to those owning “up to 200 birds” and the latter owning “more than 200 birds”.

While it is beyond the scope of this report to provide a more elaborate discussion of the poultry sector, for the purposes of the ensuing discussion, a simplified distinction is made between three sectors of poultry owners or producers:

**Sector 1/2 producers** refer to those that may or may not be integrated, produce commercial breeds of poultry possibly using technologies similar to those found in Organisation for Economic Co-Operation and Development (OECD) countries, with adaptations for differences in temperature and humidity, and with medium to high levels of bio-security;

**Sector 3 producers** refer to those that are neither integrated nor industrial, producing commercial breeds of poultry at relatively smaller scales compared to the large poultry producers, and with low levels of bio-security; and

**Sector 4 owners** refer to those that are the small scale or backyard poultry owners, producing native breeds of poultry and who have little or nothing in the way of bio-security measures.

On the basis of the numbers of poultry presented in the PAD it is estimated that Sector 1 and 2 comprise a stock population of about 3 million poultry (58%), Sector 3 comprises a stock population of as many as 0.1 million poultry (3%) and Sector 4 comprises a stock population of about 2 million poultry (39%); the total stock population of poultry in 2005 (excluding Sector 4 owners with less than 100 birds) was as many as 5.14 million birds.

Finally, some insights can be gained into the culling and compensation numbers, under different scenarios, in the event of an outbreak of HPAI in Armenia. It is assumed that the total stock population in 2007 is 5.654 million (i.e. 10% more than in 2005) and the average compensation rate is US$1.99 per bird (i.e. 75% of US$2.65 per bird). There are 3 commonly used scenarios in estimating culling and compensation: Scenario I is the case of Cambodia or Laos PDR where 0.7% of the poultry population was affected by HPAI; Scenario II is the case of Indonesia where 10% of the poultry population was affected by HPAI; and Scenario III is the case of Vietnam where 20% of the poultry population was affected by HPAI. For Armenia culling and compensation estimates under the 3 scenarios are presented in Table 1.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Numbers of Birds Culled</th>
<th>Amount of Compensation Paid (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario I</td>
<td>39,578</td>
<td>78,661</td>
</tr>
<tr>
<td>Scenario II</td>
<td>565,400</td>
<td>1,123,733</td>
</tr>
<tr>
<td>Scenario III</td>
<td>1,130,800</td>
<td>2,247,465</td>
</tr>
</tbody>
</table>

Assuming the AIP Project made the total US$0.75 million funds available, under Scenario I there would be surplus funds of approximately US$0.67 million and under Scenario II and Scenario III there would be deficit funds of approximately US$0.37 and US$1.49 million respectively. However, were compensation to be restricted to, for example, Sector 4 only, there would be a large surplus in Scenario I and II and a very small deficit of US$0.046 million in Scenario III.

3. **Institutional and Legal Issues**
What should be the future status, if any, of the proposed compensation “policy”? 

A draft policy is attached to this report as Annex 2 and sets out recommended objectives and the basic design components of a compensation scheme; a draft decree intended to enable the implementation of the policy is attached as Annex 3.

Unlike the enactment of an adequate legal framework, however, the formal adoption of a policy is not strictly necessary for the establishment and operation of an effective compensation scheme.

The Government of Armenia will therefore need to determine whether the draft policy should be developed into an official GoA “policy” or whether the document (or a revised version of it) should simply be regarded as guidelines or basic information on the HPAI compensation scheme. In doing so it may be useful to consider that governments usually adopt a “policy” for certain significant sectors (e.g. agriculture, forestry, education and health) rather than for specific undertakings such as, in this instance, the establishment of a compensation scheme for HPAI.

What provisions in the existing legislation are relevant to compensation? 

The current legal framework within which it is necessary to move (which is described in further detail in Annex 1) essentially includes a principal Law on Veterinary Services of 2005, a Government Decree approving the “National Programme of Measures Against Highly Pathogenic Avian Influenza” of 2006, and a Law on Emergency Situations of 1998.

The most significant provisions that are albeit to a limited extent relevant for the establishment of a compensation scheme envisage the following:

(i) reporting requirements: these are relevant as among the primary purposes for establishing a compensation scheme is to create an incentive for early reporting.

Current requirements are as follows: (a) obligation for natural and legal persons involved in veterinary services to report cases of hazardous animal diseases (Law on Veterinary Services, sec. 10 1.5); (b) obligation for all persons involved in veterinary activities (i.e., unlike in the previous provision, including livestock owners) to notify the veterinary service about “unexpected or mass morbidity or fall of animals” (Law on Veterinary Services, sec. 16 6); and (c) obligation for any person to notify the veterinary service of any suspect cases of quarantine, highly hazardous and notifiable diseases (Law on Veterinary Services, sec. 17 1). These requirements will remain useful even after the establishment of a compensation scheme.

(ii) power to order and regulate culling: provisions clearly empowering an authority to order culling are also a necessary prerequisite to a compensation scheme. Current provisions foresee (a) the power for “the veterinary service specialist” to order culling of animals affected by quarantine, highly hazardous and notifiable diseases (Law on Veterinary services, sec. 17 4.5); and (b) various provisions in the Decree approving the National Programme of Measures Against HPAI which regulate the culling of infected birds or of birds which are susceptible to infection (e.g., sec. 46).
(iii) right to receive compensation: current provisions refer to compensation only in general terms, without specifying beneficiaries and extent of rights and consist of (a) a general right to compensation envisaged on emergencies in the Law on Population Protection in Emergency Situations and (b) a brief reference to the GoA as the authority responsible to “define” the issue of reimbursement of bird owners in the Decree approving the National Programme of Measures Against Highly Pathogenic Avian Influenza (sec. 4).

**What new legislation and revisions of existing legislation are required to set up and operate a compensation scheme?**

The most significant required innovation will be a **new decree setting up and regulating the compensation scheme**. Considering that existing provisions specifically addressing compensation are very brief and not even sufficient to envisage and regulate a right to compensation in the case of mandatory culling, it is suggested to set out basic provisions for this purpose in a single, separate piece of legislation which could address relevant institutional and operational aspects of the compensation scheme. As in the case of the Programme of Measures Against Highly Pathogenic Avian Influenza, this could be a Government decree, issued under the Law on Veterinary Services as well as under the Law on Emergency Situations. The new decree could introduce whichever amendments of the existing one may be necessary.

The new decree should be designed in order to constitute a stable legal basis for the future operation of the compensation scheme. There are, however, many issues which will have to be progressively revised and updated, especially considering that the scheme will probably require testing in practice and progressive adaptation. More specific rules of implementation will need to be issued and revised from time to time subject to the general conditions set out in the decree.

It is therefore proposed that the **Management Board** created by the new decree and made responsible for the operation of the compensation scheme be given the possibility of specifying operational aspects in a Compensation Procedures’ Manual, subject to the conditions clearly established by the decree. For example, payment procedures, required forms, registration requirements, "exceptional" compensation rates for specific categories of valuable poultry etc. could be set out directly in the Manual and revised from time to time by the Board as appropriate.

The composition and functions of the Management Board will have to specified in the same decree. As the activities of the Board will affect the interests of various private stakeholders, who would be potential beneficiaries but may also be called upon to contribute to the compensation scheme in various ways (e.g. by paying fees, providing information, participating in registration programmes etc.) a **mixed public and private representation** is envisioned for membership in the Board.

The Board could be co-directed by the heads of the State Veterinary Inspectorate (SVI) and of the Department of Planning (DoP) under the Ministry of Agriculture (MoA). Other members could include the Director of the ARPS PIU, the Head of the “Republican Veterinary Anti-epidemic and Diagnostic Center” and a specified number of persons appointed by the Minister to represent poultry owners of various sectors and concerned non-governmental organizations.
Another significant matter to be addressed in the decree will be the composition and functions of the Local Commissions, currently set out in the Decree approving the Programme of Measures Against Highly Pathogenic Avian Influenza, if such composition and functions are to be modified in line with the recommendations made in the following section (What would be the responsibilities of existing institutions?).

The proposed policy and legislation (Annexes 2 and 3) are in line with the proposals of this and the next sections.

What would be the responsibilities of existing institutions?

A Decree of the Ministry of Agriculture of 2005 had already established a “National Centre for the Battle against Bird Flu” (usually referred to as “Task Force on Avian Influenza”). The Task Force continues to exist also after the subsequent Decree approving the Programme of Measures established some additional institutions, also for the purpose of dealing with avian influenza. These are the NATIONAL COMMITTEE ON AVIAN INFLUENZA and its related “Local Commissions” established at the marz level. The NATIONAL COMMITTEE ON AVIAN INFLUENZA and the Local Commissions are hierarchically related, as the responsibilities of the national Commission include management and control of Local Commissions.

The same Decree also creates “expert groups” to serve as advisory bodies both at the national and at the local level. There has been some debate as to whether experts should be included into the NATIONAL COMMITTEE ON AVIAN INFLUENZA rather than in separate groups, both at the central and at the local level, but this issue is not directly relevant to compensation.

As the above Decrees basically do not address compensation, these various bodies are not designed with a view to dealing with compensation issues in any way and it would be inappropriate and impractical to extend their responsibilities to the full management and operation of the compensation scheme. The NATIONAL COMMITTEE ON AVIAN INFLUENZA, for example, is established at the highest administrative level (having the Prime Minister as its chairman) and it would not be practical to vest management and operational responsibilities to it.

Furthermore, the need for transparency and genuine involvement of potential beneficiaries and contributors in the management of the compensation scheme makes it strongly advisable to involve private stakeholders.

In light of these brief considerations, the role of existing institutions as regards preparedness and prevention of HPAI will not need to be significantly revised.

The functions of the NATIONAL COMMITTEE ON AVIAN INFLUENZA would remain the same. On the contrary, the composition and functions of the Local Commissions, as well as its relation to the NATIONAL COMMITTEE ON AVIAN INFLUENZA, will have to be modified with a view to making them responsible for compensation-related functions, thus avoiding the creation of additional bodies. Due to their revised composition and functions, the Commissions could change their name to “Culling and Compensation Supervision Committees” (CCSCs).
Membership in the CCSCs could include representatives of the Marz administration, the State Veterinary Inspectorate, the Marz Veterinary Inspectorate and a specified number of representatives of poultry owners or producers. The latter could be appointed by the village councils of concerned villages, should include at least one woman, and should represent both Sector 4 owners and Sector 3 producers if both of these exist in the concerned places. As to sectors 1 and 2, it would probably be inappropriate to include representatives at the local level as, given the small number of concerned firms, there could easily be a conflict of interests.

**What other revisions of existing legislation would be recommended?**

Other revisions of existing legislation would be useful to obtain a more coherent and effective legal framework in the veterinary sector, although they are **not strictly necessary for the purpose of setting up a compensation scheme** for avian influenza; some examples are provided below.

In Armenian legislation, penalties are not usually set out in the same law envisaging offences, but in a separate piece of legislation (usually a penal or administrative code).

This system makes it difficult for non-professionals to determine what penalty applies – in the case of the Law on Veterinary Services, for example, what penalty would be imposed if a person did not comply when ordered by the veterinary service to cull certain animals, or what would happen if a person did not report one or more suspected cases of HPAI as the Law requires them to do.

More significantly, some of the provisions of the same Law raise doubts as to the existence of an unambiguous system for the identification of penalties. For example, it is not clear why at the end of a section on “obligations and responsibilities of natural persons and legal entities involved in veterinary services” (Sec. 10) such persons and entities are expressly made “liable in the manner prescribed by the law”, while for other possible offences under the same Law the same provision is not repeated. Another unclear provision is that empowering the State Veterinary Inspector to impose administrative penalties and fines “in the manner prescribed by the law” – it is not clear here whether this power extends to any violations under the Veterinary Law or only to those violations that are envisaged in that particular provision (Sec. 13).

Although referring to separate legislation for applicable penalties is common practice in the legislation of Commonwealth of Independent States (CIS) countries, it would be worthwhile to reconsider this approach and set out a clear list of penalties specifically related to the offences of the Veterinary Law, in order to enhance certainty of law and limit discretion in the application of penalties.

A provision of the Law on Veterinary Services that also seems to require revisions is that **requiring a licence for any “veterinary activity”** (Sec. 4) – which pursuant to the definition includes production of livestock. This seems to be very difficult to implement and perhaps not strictly necessary. If it were to be followed, literally, all backyard poultry owners would have to hold a licence.

Also in the Law on Veterinary Services, the definitions could be more limited in number and they could be more precise.
For example, the definitions of “veterinary sector” and “veterinary activity” should basically coincide (i.e. the veterinary sector should simply be the sector where veterinary activity takes place). As currently formulated, the definitions overlap only in part and the partial distinction between them is not justified. The definition of “veterinary service” includes all veterinarians, whether employed in public institutions or in private practice. This could be acceptable, but other provisions in the Law seem to be based on the assumption that the veterinary service is the public veterinary service only (e.g. “registration of animals” as defined in Sec. 2 refers to public records of animals “maintained by veterinary services”).

Considering that approving lists of categories of diseases is the responsibility of the GoA (pursuant to Sec. 5), the definitions of “quarantine diseases”, “highly hazardous infectious animal diseases” and “notifiable animal diseases” (in Sec. 2) would improve if they simply referred to the respective lists as approved by the GoA. The various conditions as set out in the current definitions should rather be conditions on whose basis the GoA should issue the lists of diseases. Otherwise, it is not clear now what would happen if a certain disease has the characteristics set out in Sec. 2 but is not (or not yet) formally listed by the GoA. Furthermore, terminology for listing diseases by OIE (i.e., lists A, B and C) has been modified and the Law will need to be amended accordingly.

Regarding the Decree approving a “National Programme of Measures against Highly Pathogenic Avian Influenza”, a general observation is that its contents are – at least in some parts – too detailed to be incorporated in legislation, although a decree, not being principal legislation adopted by Parliament, is perhaps easy to revise from time to time. The possible “downgrading” of some of the provisions of the Decree to internal instructions of the Ministry could be considered. This could be done in the case of provisions which may be subject to more frequent revisions, such as for example those regarding necessary equipment, chemicals to be utilized, and so on. This could also be done for “provisions” which are informative in nature and therefore do not have any legally binding status.

**Will it be important to verify ownership rights over poultry before culling and compensation procedures?**

Any culling which may have to be ordered to prevent further spread of avian influenza will have to take place as rapidly as possible. Investigations to verify whether or not whoever is in possession of poultry is its actual owner will not be possible. Furthermore, rights to compensation may depend on arrangements between concerned parties, such as contract farming and related agreements on sharing of expenses. In order to proceed to compensation as rapidly as possible in case of an AI outbreak, any possessors will have to be entitled to compensation. Verification of respective rights and obligations will have to be left to private parties.

However, an effort will have to be made to compensate women rather than any other member of households where it may be presumed that they are the owners of poultry. The draft policy and legislation as currently formulated authorize this.

4. **Operational Issues**
How will compensation payments be made?

The PAD for the AIP Project recommends that compensation payments should be made through the National Post Office system (mainly for smallholders) upon presentation of ID and culling form copy (see stage 10 in annex 4) and when possible in the form of bank transfers (when dealing with industrial producers) and that there will be no vouchers or animal replacements.

Bank transfers will be possible where poultry owners have bank accounts. This will be the case with Sector 1/2 producers, it may be the case with Sector 3 producers, but is unlikely to be the case with Sector 4 owners. Thus while bank transfers will be possible in some instances in other instances it will be necessary to have an intermediary physically hand out the cash compensation payments.

Cash compensation payments are useful because they enable prompt payment of compensation to owners of culled birds. Having to transfer cash makes verification of payments difficult, however, raising the possibility of funds being mishandled, and inflates transaction costs especially where there is a need for regular bank withdrawals.

Cheques address the verification of payments and mishandling funds problems – copies or stubs of the cheques can be retained for verifying the reported amounts of compensation paid, number of birds culled and owners' names. Yet by having each and every cheque signed will most likely inflate transaction costs especially where there is a need for an authorised signatory. It is recognised, moreover, that cheques may transfer some of the transaction costs onto those poultry owners who do not have bank accounts, giving rise to a situation, for example, where the costs of having to physically deliver cheques to a bank or post office might outweigh the benefits of the cash received.

An alternative to cash and cheques is vouchers. Vouchers resemble cheques although with vouchers the value of each voucher is given and their issuing does not require an authorised signatory. One of the immediate appeals of vouchers is that they streamline financial transactions and in this way may contribute to minimising transaction costs and reducing the possibilities of mishandling funds. However, as with cheques, vouchers may transfer some of the transaction costs onto the bird owners and again give rise to a situation, for example, where the costs of having to physically deliver vouchers to a bank or post office might outweigh the benefits of the cash received.

In the creation of compensation procedures the use of vouchers, or cheques, should be given some consideration, especially in the case of Sector 3 and Sector 1/2 producers who have bank accounts. In the case of Sector 4 owners, at least in the short-term, cash through Post Office transfers is likely to be the most appropriate means of making compensation payments.

The policy and legislation (decree or law) that enable creation of compensation procedures cater for all of the above possibilities (i.e. cash, cheques and vouchers); the Compensation Procedures’ Manual will enable changes to be made to these arrangements from time to time as and as is deemed appropriate.
Who will be eligible for compensation payments?

The PAD recommends that compensation payments should be made to “village and backyard poultry operations” and to “medium-scale and large-scale poultry operations”.

The use of compensation payments as the sole incentive mechanism that is applied to these so-called village and backyard poultry operations (i.e. Sector 4 owners) and medium-scale and large-scale poultry operations (i.e. Sector 3 producers, and Sector 1/2 producers respectively) may require reconsideration.

In the limited time available for this study the impression is that Sector 4 owners whose birds would be culled under a culling scheme would be most in need of compensation payments while for Sector 3 and Sector 1/2 producers compensation payments may be less of a priority compared to assistance that might be provided in support of obtaining new credit and or restructuring existing credit. It would appear that the major cost to Sector 4 owners of culled birds would be the cost of restocking while the major cost to Sector 3 and Sector 1/2 producers of culled birds would be the cost of restocking plus the cost of serving outstanding credits or obtaining new lines of credit.

In the case of Sector 3 and Sector 1/2, in the creation of compensation procedures, it may be useful to consider the introduction of other incentive mechanisms such as credit and credit restructuring schemes, and to understand whether these are appropriate and if so how they may be packaged together, if considered necessary, with compensation payment schemes.

In other countries, with long-term experience of dealing with outbreaks of HPAI, governments have introduced credit-restructuring schemes. In Vietnam, for example, the Government and the State Bank of Vietnam decided on special conditions for the Vietnam Bank for Agriculture and Rural Development to apply to poultry producers affected by HPAI: short term loans were rescheduled to twelve months and medium and long term loans were extended by a period comparable to half of their terms; the amount of loans accessible without collaterals increased from the equivalent of approximately US$ 2,000 to US$ 3,000.

Further consideration, in view of the comments above, needs to be given, also, to whether it would be necessary to establish a “compensation fund” into which owners and producers would make contributions. In the case of Sector 3 and Sector 1/2 producers, if the priority is credit, it may not be only unnecessary, but there may be little incentive for making contributions to a compensation fund. Also, based on the estimates provided in Section 2, if compensation payments were intended for Sector 4 only, the funds made available under the AIP Project, at least for a one-off payment, would be more than sufficient in the case of 0.7% and 10% of the poultry population being affected by HPAI with a very small shortfall in even the most extreme case of 20% of the poultry population being affected by HPAI.

The policy and legislation that enable creation of compensation procedures cater for the possibility of providing compensation in various forms. The participation of private stakeholders (and therefore also of representatives of all sectors) in the compensation fund’s management board and in the CCSCs should provide a forum for discussion within which these various options may progressively be considered. Compensation arrangements could then be adapted in the Compensation Procedures’ Manual as feasible and appropriate.
**When will compensation payments be made?**

The PAD recommends that compensation payments should be made within four weeks from the date of culling.

The recommended practice, as set out in the World Bank (2006) issues and good practice paper on “Enhancing control of HPAI in developing countries through compensation”, is to provide compensation within 24-28 hours of culling, although in practice compensation payments within this time period are rarely achieved.

In the limited time available for this study the impression is that prolonging the time between culling and compensation, perhaps more so in the case of Sector 4 owners, is likely to undermine the purpose of compensation payments which are intended to provide owners producers with an incentive to report diseased birds. This would seem to be particularly important in the case of Armenia where, for instance, in early 2006 a large number of Sector 4 owners reportedly voluntarily culled their poultry, and either consumed or disposed of the birds, following an outbreak of HPAI in neighbouring Georgia. In the event of an outbreak of HPAI in Armenia it is quite possible that Sector 4, and possibly Sector 3 and Sector 1/2, will, also, voluntarily cull their poultry.

In creation of compensation procedures consideration needs to be given to how to minimise the time period between culling and compensation payments, by refining the procedures, so as to achieve culling and compensation with a matter of hours rather than a matter of weeks. In the case of Sector 3 and Sector 1/2 producers, for instance, the PAD proposes making compensation payments conditional on, amongst other things, producers having made appropriate contributions to a compensation fund. Such conditionality might undermine the effective workings of the incentive mechanism in a compensation scheme. Also, the fact that forms of compensation funds operate in only a few OECD countries (e.g. Australia) then creating a robust system in Armenia is likely to be time and cost consuming.

**What will be the compensation payment rates?**

The PAD recommends that poultry owners with less than 200 birds be paid compensation of 75% of the market price of laying hens for the third month preceding the month in which the culling took place (i.e. what is commonly referred to as a “market value approach”) and poultry owners with more than 200 birds be paid compensation equivalent to a “reasonable replacement cost” (i.e. what is commonly referred to as a “cost-of-production approach”).

For the purposes of the ensuing discussion it is assumed that less than 200 birds refers to Sector 4 owners and more than 200 birds refers to Sector 3 and Sector 1/2.

In the short time available for this study a general impression, that may at least partly influence the choice of compensation payments rates, is that in Sector 4 timing is more important than the exact amount of the compensation payment, compared with Sector 3 and Sector 1/2 where the exact amount of the compensation payment is more important than timing.

In the case of Sector 4, at least, the practice in countries, other than Armenia, is to apply the market value approach and use a rate of 75% of the market value at some period preceding the
outbreak of HPAI. While there may be a case for increasing or decreasing the rate, the aforementioned impression concerning rates versus timing suggests that what is more important is the prompt payment of compensation irrespective of whether the rates are set, for instance, at 65%, 75% or 85%.

In the case of Sector 3 and Sector 1/2 the proposal is to use the cost-of-production approach. This approach determines the price of a product by summing the unit costs of the resources that went into making it; the cost can be composed of the cost of any of the factors of production including labour, capital, feed, breeding stock or technology. The World Bank (2006) issues and good practice paper on “Enhancing control of HPAI in developing countries through compensation” advises against using this approach because it is subject to measurement errors, which may or may not be deliberate, and more importantly, it rewards the more inefficient producers.

In creation of compensation procedures consideration will need to be given to the compensation payment rates and, more importantly, whether there is adequate justification for the introduction of a cost-of-production approach for Sector 3 and Sectors 1/2 or whether a market value approach would be suitable for all sectors.

Who will make the disbursements and compensation payments?

First, the PAD recommends that disbursements will be made from a specially funded account of the ARSP PIU.

The issue of who should make the disbursements, i.e. who should be the “budget holder”, raises a more fundamental concern over the appropriateness of having the ARSP PIU operate and manage what the relevant government department, in this case the Department of Planning (DoP) in the MoA, should be capable of doing, possibly in the short-term, and certainly in the long term.

In the limited time that was available for this study, and the absence of a more thorough assessment of capacity, the DoP would appear to have the human and institutional resources capable of acting as the budget holder and being responsible for making disbursements of compensation payments.

Should the budget holder be the DoP or the ARSP PIU? If the former is the preferred option the funds provided for compensation in the AIP Project will be channelled through the banking system and directly to poultry producers or owners. If the latter is the preferred option then these funds will be channelled through an intermediary bank and indirectly via the DoP to the poultry producers or owners. Channelling funds through the ARSP PIU may, in the short term, minimise the time and cost of transactions and the possibility of funds being mishandled while, in the long term, it may undermine the capacity (and authority) of the DoP.

Secondly, the PAD recommends that compensation payments be made indirectly to what it refers to as village and backyard poultry operations (i.e. Sector 4 owners) and directly to medium-scale and large-scale poultry operations (i.e. Sector 3 and Sector 1/2 producers). For Sector 4 owners it is recommended that compensation payments will be made by bank transfer through the National Post Office system and will be posted at the village level and cashed by the affected farmers upon presentation of ID and the copy of the compensation
form retained by the affected farmer; for Sector 3 and Sector 1/2 it recommends that compensations payments be made by bank transfer, presumably, to the bank accounts of the poultry producers (if appropriate, otherwise by Post Office). In both instances the DoP under the MoA will be responsible for compiling (culling and) compensation payment lists and submitting these to the ARSP PIU for disbursements.

Details on the calculation and fund disbursement process are detailed in annex 4, stages 9 to 11.

**How will disbursements and compensation payments be monitored?**

First, in the case of disbursements, the PAD proposes that external independent auditors are requested to provide an opinion on the reasonableness of the accounting, reporting and internal controls concerning operations of the specially funded account (see annex 4 for details).

Secondly, in the case of compensation payments the PAD describes, in detail, procedures for recording culling and compensation payments. The culling of Sector 4 poultry will be recorded on six separate pre-numbered forms and the culling of Sector 3 and Sector 1/2 will be recorded on six separate pre-numbered forms one of which will be sent to the DoP in the MoA; the various forms will be signed by several government and owner or producer representatives. The MoA will be responsible for maintaining a database comprising the pre-numbered forms and the information gathered from completed forms concerning culling and compensation (details outlined in annex 4).

The PAD proposes that recording culling and compensation payments be monitored in randomly selected samples of villages and marzes and this will include checking compensation payments against the culling and compensation database, information collected at the individual, village and marzes levels, and so on.

It is difficult to assess the appropriateness of the proposed monitoring of, in particular, compensation payments, although, the procedures give the impression of being complex. In the creation of compensation procedures consideration should be given, where possible, and without compromising the robustness of the scheme, to keeping as simple as possible the recording of culling and compensation payments. Also, consideration may be, also, given to conducting a tabletop simulation exercise with a view to refining the design of monitoring in particular and the national compensation scheme in general.

**How will public awareness be promoted?**

There is no explicit mention of how public awareness, concerning compensation payments, will be promoted, although this is a clearly important component that should be included in the PAD.

In the short time available for this study the impression was that technical officers and others who would be responsible for implementing a compensation scheme are not familiar with compensation and culling issues. This is likely to contribute to less than clear messages being conveyed to the public in general and owners or producers of poultry in particular concerning culling and compensation in the event of an HPAI outbreak.
The aforementioned instance, in early 2006, of a large number of Sector 4 owners reportedly voluntarily culling their poultry, and either consuming or disposing of the birds, following an HPAI outbreak in neighbouring Georgia, points to the importance of public awareness initiatives. In the creation of compensation procedures consideration would need to be given as to whether public awareness matters should be one of the activities to be carried exclusively by the AIP Project or whether they should also be part of the procedures.

5. Schematic overview of compensation procedures

A schematic overview of compensation procedures, based on the discussion of issues presented in the previous sections, is depicted in Figure 1.

<table>
<thead>
<tr>
<th>Figure 1: Proposed compensation procedures</th>
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</thead>
<tbody>
<tr>
<td>The compensation procedures would involve 12 distinct stages, an outline of which is provided below, with specific procedural details provided in Annex 4.</td>
</tr>
<tr>
<td>Stage 0: Pre-outbreak situation.</td>
</tr>
<tr>
<td>Stage 1: A suspect HPAI case is reported to the Marz Veterinary Inspectorate.</td>
</tr>
<tr>
<td>Stage 2: The Marz Veterinary Laboratory conducts rapid test and the Marz Veterinary Inspectorate reports the results to the State Veterinary Inspectorate and the State Veterinary Laboratory.</td>
</tr>
<tr>
<td>Stage 3: The State Veterinary Inspectorate reports the suspect HPAI case to the National Committee on Avian Influenza.</td>
</tr>
<tr>
<td>Stage 4: The National Committee on Avian Influenza authorizes the State Veterinary Inspectorate, through the compensation fund’s Management Board, to commence culling.</td>
</tr>
<tr>
<td>Stage 5: The Task Force on Avian Influenza mobilises the Culling Teams and communicates the culling arrangements.</td>
</tr>
<tr>
<td>Stage 6: The Culling Teams commence culling.</td>
</tr>
<tr>
<td>Stage 7: Culling Teams compile the forms and handle them to the Marz Veterinary Inspectorate. The Marz Veterinary Inspectorate enters the culling data into a database and sends the culling forms to the State Veterinary Inspectorate.</td>
</tr>
<tr>
<td>Stage 8: The State Veterinary Inspectorate sends the culling forms with the covering letter to the Treasury Department in the Ministry of Finance and cross-checks the information of the Marz database with the information of the form they will be retaining.</td>
</tr>
<tr>
<td>Stage 9: The Department of Planning in the Ministry of Agriculture receives the culling form copies with the covering letter as well as the Marz database and starts calculations.</td>
</tr>
<tr>
<td>Stage 10: The Treasury Department in the Ministry of Finance and the Management Board receive the copies of the culling forms with the covering letter and the database sent by the Planning Department with the compensation calculations.</td>
</tr>
<tr>
<td>Stage 11: The Treasury Department in the Ministry of Finance records receipt of compensation payments and informs the Management Board.</td>
</tr>
</tbody>
</table>

6. Summary

The purpose of this report is to set forth a coherent framework of specific recommendations for the design and operation of the national compensation scheme.

- Analysis of the legal and institutional issues lead to the following recommendations:
To further consider whether the adoption of a “policy” document on compensation for avian influenza by the Government of Armenia is necessary, or whether the draft “policy” attached to this report (Annex 2) should be considered more simply as guidelines;

to adopt a new decree on compensation: this would set out generally applicable rules and criteria and provide a framework within which the Compensation Procedures’ Manual could from time to time adapt operational aspects as may be appropriate (proposed draft in Annex 3);

to create a compensation fund’s management board to be responsible for the operation of the compensation scheme in coordination with other avian influenza prevention and fighting procedures, which would remain a primary responsibility of the existing interministerial National Committee on Avian Influenza (created by the Decree approving the National Programme of Measures Against Highly Pathogenic Avian Influenza). The board would be empowered to adopt and revise the Compensation Procedures’ Manual.

to revise the role and functions of the Local Commissions (established by the Decree approving the National Programme of Measures Against Highly Pathogenic Avian Influenza) so that they could more effectively serve as “Culling and Compensation Supervision Committees”; and

to improve the Law on Veterinary Services in other ways (which would however not be strictly pertinent to the creation and implementation of the compensation scheme), such as by strengthening provisions on penalties, eliminating unrealistic prescriptions and streamlining definitions.

Analysis of the operational issues lead to the following recommendations:

In general there is a need to provide a very clear and concise distinction and detailed description of characteristics of Sector 1, 2, 3 and 4 owners and producers of poultry in Armenia;

In terms of how compensation payments will be made, vouchers, bank transfers or cheques, should be given some consideration, especially in the case of Sector 3 and Sector 1/2 producers who have bank accounts, while at least in the short-term, cash, through the National Post Office system, is likely to be the most appropriate means of making compensation payments in the case of Sector 4;

In terms of who will be eligible for compensation payments consideration need to be given to the introduction of other incentive mechanisms such as credit and credit restructuring schemes in the case of Sector 3 and Sector 1/2 and whether there is a realistic need to establish a compensation fund;

In terms of when compensation payments will be made consideration needs to be given to how to minimise the time period between culling and compensation payments, by refining the procedures, so as to achieve culling and compensation with matter of hours rather than a matter of weeks;

In terms of how payments will, in particular, be monitored, attention needs to be paid to keeping as simple as possible the recording of culling and compensation payments, which may be assisted by conducting a tabletop simulation exercise; and

In terms of how public awareness will be promoted, consideration needs to be given as to whether public awareness matters should be one of the activities to be carried out as a part of the procedures or whether the AIP Project can deal them with.
These recommendations, together, provide the foundation for the establishment of a Legal Framework and Compensation Procedures’ Manual, which are proposed in annexes to the report.

7. Next Steps towards the creation of a national compensation scheme

The following Table 2 provides an indicative timetable for creation of a national compensation scheme including consultations and workshops and the finalisation of the Compensation Procedures’ Manual and the legal framework.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultation</td>
<td>February–March 2007</td>
</tr>
<tr>
<td>Summary of comments provided by PIU to international consultants</td>
<td>Middle of March 2007</td>
</tr>
<tr>
<td>Workshop</td>
<td>Beginning of April 2007</td>
</tr>
<tr>
<td>Finalization of draft Compensation Procedures’ Manual and legal framework</td>
<td>End of April 2007</td>
</tr>
<tr>
<td>Workshop to discuss Operational Manual</td>
<td>Mid July 2007</td>
</tr>
<tr>
<td>Approval of legislation</td>
<td>August 2007</td>
</tr>
<tr>
<td>Simulation exercise (compensation)</td>
<td>Mid August 2007</td>
</tr>
<tr>
<td>Creation of compensation fund’s management board</td>
<td>September 2007</td>
</tr>
<tr>
<td>Adoption of Compensation Procedures’ Manual</td>
<td>December 2007</td>
</tr>
</tbody>
</table>
Annex 1 - The existing legal framework

Local Self Government

Pursuant to the Law on Local Self Government of 5 June 2002, a community “represents the democratic basis of the State system. It is a commonwealth of residents and represents an administrative and territorial subdivision within defined boundaries where local self-government is implemented by virtue of elected bodies”. It may dispose of its property independently and has its own budget (sec. 4).

A Community Council and Chief of the Community are elected (sec. 7).

Communities have 1. their own powers (mandatory or voluntary) or 2. powers delegated by the State (sec. 10).

A Community Council may adopt regulations and must approve a development programme and the community budget (sec. 16). Among its powers is the approval of the “composition of boards and supervisory councils of commercial organizations with the community participation.” The Community Council may propose up to half of the members of these bodies (sec. 16.16.). Members of Community Councils may receive a monthly salary equivalent to up to 30% of that paid to members of the National Assembly (sec. 23).

Powers of the Chief of Community are listed in detail (secs. 32-45) by subject. As regards the agricultural sector, they include assistance in provision of veterinary services, performance of anti-epidemic arrangements and in observance of rules for prevention of animal diseases (sec. 44).

“Intercommunity associations” may be formed by agreements among community chiefs to address common issues and reduce costs (secs. 78-80).

A Marz Council, a “deliberative body” made up of chiefs and the marz governor of communities is created in every marz.

Law on Veterinary Services

The Veterinary Law of the Republic of Armenia of 24 November, 2006, sets out respective responsibilities of the Government (sec. 5), the “Authorized Body” (sec. 6) and Marz authorities in the veterinary sector.

The latter is defined to include prevention and eradication of animal diseases as well as supervision of production of animal products and raw materials.

The definition of “veterinary activity” includes the production of good quality products and raw materials of animal origin (sec. 2). A licence is required to engage in veterinary activities (sec. 4).

“Quarantine diseases” are defined as those which require the imposition of quarantine and may cause serious harm to animal health.
“Highly hazardous diseases” are those which are quick spreading, covering broad areas and causing serious economic damage, included in Group A in the OIE classification).

“Notifiable infectious diseases” are those included in a list set out by the Authorized Body, which if suspected must be immediately notified to veterinary authorities (sec. 2).

Among governmental responsibilities is the approval of the list of “quarantine diseases” “highly hazardous diseases” and “notifiable infectious animal diseases” (sec. 5).

Among the responsibilities of the veterinary service, which pursuant to the definition includes private veterinary practitioners, is to provide health and other State bodies with the necessary information on reported cases of hazardous diseases (sec. 10.1).

The State Veterinary Inspectorate is responsible for surveillance over the whole sector. Its listed responsibilities include “identification and registration of farm animals” (sec. 12). The State Veterinary Inspector may make inspections in accordance with applicable legislation on inspections, issue instructions “to correct violations” of veterinary legislation and impose administrative penalties and fines in accordance with the law (sec. 13).

A specific chapter is devoted to “prevention and elimination of quarantine diseases” (actually all infectious animal diseases pursuant to the contents of the chapter) (secs. 16-17). All persons involved in keeping animals and related activities must immediately notify the veterinary service “unexpected or mass morbidity or fall of animals” (sec. 16 6)). Upon suspicion of quarantine diseases, “highly hazardous” and “notifiable diseases”, all persons must promptly notify the veterinary service and take appropriate measures to prevent spreading (sec. 17 1.).

Measures to be set out in the case of any of these diseases include determination of the boundaries of a “pestohole”, of a “buffer zone” within a radius of 3 km and of a “controlled area” within 10 km – by the concerned marz or two marzes, or, if an area of more than two marzes is concerned, by the Authorized Body (sec. 17 4.1)). The “veterinary service specialist” may require culling of animals infected with quarantine, highly hazardous and notifiable diseases (sec. 17 4.4).

A subsequent chapter on identification and registration of animals refers to the Government for the determination of applicable rules (sec. 18 1.). The veterinary service must record all individual details of identified animals in monthly records (sec. 18 2). The definition of “registration of animals”, however, does not include poultry, although poultry is included in the definition of “animals” (sec. 2).

National programme of measures against highly pathogenic avian influenza

The Decree N-480-N of 19 January, 2006, approving a “National Programme of Measures against Highly Pathogenic Avian Influenza” makes prevention of epidemics a responsibility of the Ministry of Agriculture, “together with” the State Veterinary Inspectorate, as well as of the Ministry of Health (State Hygienic and Anti-epidemic Inspectorate) (sec. 8). It makes reference to a previous initiative mentioning a Decree of the Ministry N. 192 of 31 October, 2005, which established “operational headquarters” for coordination of actions.
The Decree establishes a “National Epidemiologic and Epizootic Commission Responsible for Coordination of National Program of Measures against Highly Pathogenic Avian Influenza”, whose composition is set out in Appendix II as follows:

1. the Prime Minister of the RA as Chairman;
2. the Minister of Agriculture of the RA as Deputy Chairman;
3. the Deputy Minister of Health of the RA as Deputy Chairman;
4. the Deputy Minister of Territorial Administration of the RA;
5. the Deputy Minister of Agriculture of the RA (Chief of the Headquarters);
6. a Senior Adviser of the Minister of Agriculture of the RA;
7. an Adviser of the Minister of Agriculture of the RA;
8. the Chief of the Veterinary State Inspection of the Ministry of Agriculture;
9. the Chief of the Sanitary and Anti-epidemic Inspection of the Ministry of Health of the RA;
10. a representative of the Police of the RA;
11. a representative of the Ministry of Environmental Protection of the RA;
12. the Head of the “Republican Veterinary Anti-epidemic and Diagnostic Center” (State non-commercial organization within the Ministry of Agriculture of the RA)
13. a representative of the non governmental organization “Union of Veterinaries”
14. the Head of the Chair of Epidemiology and Parasitology of the State Agrarian University of the Republic of Armenia;
15. a representative of the Institute of Zoology of the Academy of Sciences of the RA;
16. the Director of the “Republican Center of Agricultural Support of the RA” (CJSC).

Responsibilities of the Commission, which must be “accomplished by the Chief of Inspection” include the adoption of measures for “peaceful conditions”, such as raising of awareness, preparation of financial plans for emergencies and of training programmes, collection of information, coordination between the “Republican Veterinary Anti-epidemic and Diagnostic Center” and the “Scientific Research Center of Veterinary and Animal Breeding”, veterinary checks at boundaries (sec. 11).

Other specified responsibilities of the National Commission are set out for the case of a suspected or actual outbreak of the disease and include the “coordination of strategic action”, the management and control of Local Commissions, the collection of information from Local Commission expert groups and the “Republican Veterinary Anti-epidemic and Diagnostic Center” for analysis, the supply of information to the FAO International Epidemiologic Center, the European Commission and the governments of neighbouring countries, vaccinations, preparation of financial plans and training programmes, supply of information to the agricultural sector and the public, coordination with Local Commissions for the creation of protection or observation zones (sec. 12).

The National Commission has also power to ban hunting and act for the decontamination of specified areas where wildfowl concentrates (art. 13).

Local Commissions are established in every marz and include

1. the Deputy Marzpet (Governor) as Head;
2. the Head of the State Veterinary Inspectorate, Local Division, as Deputy Head;
3. the Marz Bacteriologist;
4. the Marz Serologist Diagnostician;
5. the State Veterinary Inspector of the Marz;
6. the Marz Serologist Diagnostician;
7. the Head of the Financial Department of Marzpetaran (Governor’s Office);
8. a representative of the National Security Body;
9. the Head of the Marz Police;
10. a representative of farmers (sec. 16).

A number of responsibilities of the “local marz and regional State veterinary inspectors” are set out, including raising of awareness at the local level, local action to control spreading of the disease, coordination with concerned State bodies regarding equipment and action which may be necessary to remove dead birds and calculation of the number of birds (sec. 14).

As to “responsibilities in concrete situations”, they include the implementation of measures “as confirmed by the Commission”, rapid tests and submission of samples to the “Scientific Research Center of Veterinary and Animal Breeding”, information to the Commission in case of a suspected outbreak, coordination with the Commission’s Expert Group, coordination with the Commission to set out boundaries of “protection” and “surveillance” zones, fast reassessment of bird numbers, supervision of activities in infected farms, determination of quarantine requirements, bird slaughter and destruction of corpses, sanitation and treatment, coordination with local experts in high risk zones, inspection of domestic animals in protection and surveillance zones, registration of information collected in the course of epizootic investigation and on infected farms, permissions for transportation, involvement of full time staff, control over use of disinfectants that are used for destruction of animals in cooperation with the bodies of local self governance for the purpose of environmental protection, monitoring and registration of wild birds (sec. 15).

The same decree establishes a permanent “Expert Group” with knowledge in “diagnosing, preventing and eliminating” avian influenza and which is to progressively receive relevant training. Members of the expert group are

1. a professional epizooty specialist of the Inspection;
2. a specialist from the “Scientific Research Center of Veterinary and Animal Breeding”;
3. a bacteriologist from the “Republican Veterinary Anti-epidemic and Diagnostic Center”;
4. an expert of corpse destruction from the Inspection;
5. a pathologist from the “Republican Veterinary Anti-epidemic and Diagnostic Center”;
6. an ornithologist specializing in bird migration issues (sec. 16).

In case the Expert Group receives a report for a suspect case of avian influenza, it must “assess clinical features and epizootic situation” and advise on the collection of samples and investigation (sec. 17). In the case of an outbreak, the Expert Group is responsible for the collection of specified information regarding the origin and spreading of the disease, as well as for assisting in the disposal of animals with a view to minimizing negative environmental
impact (sec. 18). Other “functions of the Expert Group” include progressive risk assessment and advice to the Commission on measures to be taken (sec. 19).

In case of an outbreak of avian influenza, Local Commissions must set up a Local Expert Group including

1. an animal epidemiologist, from the Marz Division of the State Veterinary Inspection;
2. a veterinarian from the Republican Veterinary Anti-epidemic and Diagnostic Center;
3. a veterinarian representing other entities offering veterinary services,

with a series of functions including investigation in concerned areas, risk assessment and supply of information to Local and National Commission and the Expert Group at the national level (sec. 20).

The Inspectorate is responsible for strengthening the resources of the concerned Local Commission in case of an outbreak, hiring additional veterinarians and other specialists (sec. 21).

The Decree includes also basic scientific information regarding avian influenza (definition, causes, symptoms (secs. 22-30).

If a representative of the State Veterinary Service is notified of a suspected case, he/she must collect information regarding the concerned farm, recent movement of animals and availability of equipment. Private veterinarians have an obligation to report suspected cases and support the representative of the State Veterinary Service in the collection of information. The inspector must take preliminary measures to avoid contamination and immediately inform the local division of the State Veterinary Inspectorate, which in turn must inform the central level (sec. 31).

Specified activities relating to disinfection and elimination of dead animals must be carried out daily under the supervision of the “local self-governance bodies” until test results are received (sec. 32) and certain precautions must be taken to enter the concerned farm (sec. 33).

The Inspector and the Laboratory’s veterinarian must collect specific information about concerned farms (sec. 34), do clinical investigations (sec. 35), collect pathogenic samples (sec. 36), following specified rules before leaving the concerned area (sec. 38).

Samples coming from any part of the country must be sent to the Republican Veterinary Anti-epidemic and Diagnostic Centre, upon notice from the chief Marz Veterinary Inspector so that testing can be organized (sec. 40).

In case of avian influenza, a “protection zone” is demarcated within a radius of 3 km, and a “surveillance zone” within a radius of 10 km and these areas must be regularly checked and serological tests must be done as described (secs. 41-45). Local Commissions are responsible to control movement within the demarcated areas and may order culling at slaughter houses.
or other specified places (sec. 46). Other rules regarding annihilation, disinfection and means of transportation follow (secs. 47-49).

Some brief provisions and information are set out regarding vaccines, allowing the future use of vaccines as may be allowed by the Ministry (secs. 50-51). Objectives to be achieved through training and institutions and people to be trained are set out (sec. 52).

The Decree continues with the further specification of action to be taken in “pessimistic scenarios”, including liquidation, annihilation, disinfection and other requirements (secs. 56-66).

In the part of the Decree regarding “Notification about and disease; public awareness”, a general requirement for animal owners to report cases is set out (sec. 68).

Compensation of damage to bird owners is to be addressed by the Government.

Attachment 1 includes “epidemiological information”, while attachment 2 sets out further measures for the “Pessimistic scenario”.

A previous Decree No. 192 of the Ministry of Agriculture of 31 october, 2005 vested responsibilities for prevention and fighting of avian influenza in the Ministry of Agriculture, in coordination with the Ministry of Health, creating a Task Force the Head of the State Veterinary Inspectorate, various experts from the “Republican Epidemic and Diagnostic Centre” and others as members.

Emergency situations

The Law on Population Protection in Emergency Situations of 2 December, 1998, sets out respective responsibilities of the various authorities and regional management bodies in emergency situations, which include human and animal epidemics. The Law expressly envisages the right of citizens who suffer losses as a result of emergency situations to be compensated and to be informed (art. 19).

Agricultural support fund

Government Decree No. 1193-N (date?) on the Support Fund of Village and Agriculture of the Republic of Armenia provides an example of a fund set up within the Ministry of Agriculture to support specific development projects that may be approved from time to time.
Annex 2 - Draft policy

Objectives

The Government of Armenia intends to establish a compensation scheme for avian influenza, with the primary objective of encouraging early reporting of actual or suspected cases of the disease, avoiding its further spread.

This policy sets out basic institutional arrangements and requirements for the establishment and the operation of the compensation scheme.

Right to compensation

Persons who are in possession of poultry which is ordered to be culled to prevent spread of avian influenza in accordance with applicable legislation shall be entitled to compensation, regardless of ownership rights.

However, where women may be presumed to be the owners of poultry, compensation shall be provided to them rather than to any other persons.

Compensation may be limited to specified sectors of poultry producers or owners and to specified conditions.

Establishment of the compensation fund

A fund (hereafter referred to as the fund) for payment of compensation in accordance with this policy shall be set up by the Minister of Agriculture, subject to such rules as may be applicable regarding public finance.

Financing

The fund shall be financed by an initial contingency sum provided by IDA.

Money subsequently paid into the fund may include government contributions, donations and fees charged to potential beneficiaries in accordance with applicable legislation and this policy.

Compensation fund’s management board

A compensation fund’s management board (hereafter referred to as the board) shall be set up including representatives of concerned Government agencies and of the private poultry sector, appointed by the Minister.

Basic rules of procedure for meetings of the board, including quorum required for meeting and for the adoption of decisions shall be established by legislation before the establishment of the board.

Culling and Compensation Supervision Committees
The composition and functions of Local Commissions shall be revised and their name changed to Culling and Compensation Supervision Committees. Members of the Committees shall include representatives of the marz administration, of the State Veterinary Inspectorate at the marz level and of the private poultry sector, appointed by concerned Community Councils. Functions shall include culling and compensation operations.

**Compensation Procedures’ Manual**

Subject to applicable legislation and to this policy, the board shall issue a Compensation Procedures’ Manual, hereafter referred to as the Manual, to specify operational aspect regarding compensation, including registration of poultry owners and producers and poultry, charging of fees to potential beneficiaries of the fund and rates of compensation payments, subject to such conditions as may be set out in enabling legislation.

All compensation operations shall take place in accordance with the Manual.

**Nature and extent of compensation**

Compensation paid from the fund shall be provided in money or in such other forms as may be from time to time established in the Manual, including restocking, rescheduling of credit and credit for rehabilitation of facilities.

Compensation paid from the fund shall refer exclusively to poultry which is ordered to be culled to prevent spread of avian influenza in accordance with applicable legislation and shall not cover other losses such as destruction of contaminated feedstuffs and other products, disinfection of plants and equipment and other control measures (direct culling costs, protection of culling teams), restocking costs, economic losses for drop of market conditions, improvement of biosecurity, vaccinations. Such losses may be compensated through such other means as may be made available by the Government.

Rates of compensation shall be uniform throughout the country in order to avoid movement of birds.

**Payment procedures**

Compensation payments from the fund may be made in cash, cheques or vouchers or bank transfer as may be specified in the Manual.

**Database**

The Ministry of Agriculture shall keep and progressively update information necessary for the operation of the fund in accordance with this policy, including information regarding poultry owners and producers, number, species and categories of poultry, market prices, compensation paid from the fund and estimates of financing needs.

**Engagement of stakeholders**

The Ministry of Agriculture and the board shall ensure consideration of the views of poultry owners and any other concerned stakeholders in the management of the fund.
Awareness

The Ministry shall promote awareness among poultry owners regarding the operation of the fund and organize adequate advertisement.

Settlement of disputes

A mechanism for the settlement of disputes regarding the operation of the fund shall be set up, including appeals to the Minister and to the courts of law.
Annex 3 - Establishment and Operation of a Compensation Fund for Avian Influenza

Government of Armenia Decree N… of …

On the Establishment and Operation of a Compensation Fund for Avian Influenza

1. Definitions

In this Decree:

“fund” means the compensation fund established under section [Establishment of the fund];

“National Committee” means the National Epidemiologic and Epizootic Committee Responsible for Coordination of the National Programme of Measures against Highly Pathogenic Avian Influenza established in Appendix II of the Decree N. 480-N of 19 January, 2006, approving a “National Programme of Measures against Highly Pathogenic Avian Influenza”;

“Minister” or “Ministry” means the Minister or Ministry of Agriculture or such other Minister or Ministry as may from time to time be made responsible for the establishment and operation of the fund;

“Board” means the compensation fund’s Management Board established under section [Establishment of the board];

“Manual” means the manual adopted in accordance with section;


2. Right to compensation

(1) Any persons who are in possession of poultry which is ordered to be culled in accordance with Decree N. 480-N of 19 January, 2006, approving a “National Programme of Measures against Highly Pathogenic Avian Influenza” or any applicable legislation which may envisage mandatory culling of poultry in connection with avian influenza, are entitled to compensation in accordance with this Decree, regardless of ownership rights.

(2) Where women may be presumed to be the owners of poultry, compensation shall be provided to them rather than to any other persons.

3. Establishment of the fund

(1) A fund for payment of compensation in accordance with this Decree shall be set up by the Minister.
2) The fund shall be subject to such legislation as may be applicable regarding public finance and any guidelines which may be issued by the Minister of finance and economy regarding accountability of the fund.

4. Payments into the fund

There shall be paid into the fund:

a. such moneys as may be appropriated to the fund by Parliament;

b. such fees as may be charged on any or all poultry owners or producers in accordance with applicable legislation;

c. such moneys as may be donated to the fund by any organization, country or person.

5. Payments out of the fund

The fund shall be used for the payment of compensation in accordance with this Decree and shall not be used for any other purpose.


(1) Compensation shall be provided in money or in such other forms as may be from time to time specified in the Manual, including restocking, rescheduling of credit and credit for rehabilitation of facilities.

(2) Compensation paid from the fund shall refer exclusively to poultry which is ordered to be culled in accordance with Decree N. 480-N of 19 January, 2006, approving a “National Programme of Measures against Highly Pathogenic Avian Influenza” or any applicable legislation which may envisage mandatory culling of poultry in connection with avian influenza.

7. Establishment of compensation rates

(1) The Ministry shall, following consultation with the Board, from time to time issue decrees setting out compensation rates for various categories of poultry, subject to

   i. availability of funds;
   ii. the limitation of compensation to a percentage of market price or any sum not exceeding the value of actual losses.

(2) Compensation rates established in accordance with this section shall apply uniformly throughout the country.

8. Payment procedures

Compensation payments may be made:
Operational manual for compensation

9. Functions of the Task Force

(1) In the case of an outbreak or suspected outbreak of highly pathogenic avian influenza, the Task Force shall, with a view to ensuring effective compensation procedures in accordance with this Decree:

(a) monitor the spread of the disease;
(b) coordinate action to be taken under the Decree Approving the National Programme of Measures against between the central and the marz level;
(c) specify details on how compensation procedures will be carried out.

(2) The National Committee may revise the role and functions of the Task Force with a view to improving the prevention and fighting of highly pathogenic avian influenza outbreaks.

10. Establishment and functions of the Board

(1) A Board is hereby established for the management of the fund in accordance with this Decree.

(2) The Board shall manage the fund in accordance with this Decree and for this purpose shall:

(a) adopt a Manual in accordance with this Decree and revise it from time to time as may be appropriate;
(b) verify calculations of compensation due in accordance with this Decree made by the Ministry;
(c) issue payment orders following the approval of the Task Force;
(d) submit reports in accordance with section 18;
(e) promote information of poultry owners regarding compensation from the fund;
(f) take action to identify suitable funding mechanisms of the fund.

11. Composition of the Board

The following shall be the members of the Board:

a. the head of the State Veterinary Inspectorate;
b. the head of the Department of Finance of the Ministry of Agriculture;
c. the head of the Department of Livestock of the Ministry of Agriculture;
d. the Director of the ARPS PIU;
e. the head of the “Republican Veterinary Anti-epidemic and Diagnostic Center”;
f. … persons appointed by the Minister to represent poultry owners of various sectors;
g. … appointed by the Minister to represent concerned non-governmental organizations;
12. Rules of procedure for meetings of the Board

(1) The board shall be convened whenever requested by any of its members and not less than once every month.

(2) The quorum for meetings of the board shall be two thirds of its members.

13. Directors and budget holder of the board

(1) The Minister shall appoint a director or directors of the board to oversee the day-to-day management of the fund and convene meetings in accordance with this Decree.

(2) The Minister shall appoint a budget holder of the fund to authorize any payments to be disbursed by the fund in accordance with this Decree.

14. Establishment and functions of Culling and Compensation Supervision Committees

(1) Culling and Compensation Supervision Committees shall be appointed within Local Commissions established under the Decree N. 480-N of 19 January, 2006, approving a “National Programme of Measures against Highly Pathogenic Avian Influenza”, or with any other applicable legislation which may envisage mandatory culling of poultry in connection with avian influenza.

(2) Culling and Compensation Supervision Committees shall:

- identify infected farms within the marz;
- schedule culling operations and carry them out in accordance with applicable legislation;
- fill out such forms as may be set out in the manual regarding culling operations;
- schedule compensation operations and coordinate with the Board to carry them out;
- promote information of poultry owners regarding compensation from the fund;
- submit such information to the Ministry, the Task Force or the Board as may be required;
- carry out such other activities relating to culling and compensation as may be requested by the National Committee and the Task Force.

15. Composition of Culling and Compensation Supervision Committees

The following shall be the members of every Culling and Compensation Supervision Committee:

- the head of the Marz administration or his/her representative;
- a representative of the State Veterinary Inspectorate;
- the chief veterinary inspector of the Marz or his/her representative;
- two representatives of poultry owners of various sectors appointed by the Community Councils of the concerned area;
- …

(1) Subject to applicable legislation, the Board shall adopt a Manual to specify operational aspect regarding compensation, including:

(a) registration of any or all poultry owners or producers and poultry;
(b) charging of fees to potential beneficiaries of the fund, based on an estimate of future risk of avian influenza outbreaks;
(c) procedures for payment of compensation;
(d) procedures for recording culling and compensation which has been paid;
(e) conditions which subject eligibility to compensation to the fulfilment of specified conditions, including conditions regarding registration of poultry owners and poultry and payment of fees;
(f) forms to be utilized for the operation of the fund, including forms required for registration of poultry owners, poultry and culling records;
(g) subject to the provisions of section [rules of procedure], rules of procedure for convening its meetings and revisions of the Manual.

(2) The quorum for the adoption and any revisions of the Manual shall be...

(3) The contents of the Manual shall be binding on all concerned natural and legal persons.

17. Database

The Ministry shall keep and progressively update information necessary for the operation of the fund in accordance with this Decree, including information regarding:

a. poultry owners of any sector;
b. number, species and categories of poultry;
c. poultry market prices;
d. compensation paid from the fund;
e. estimates of the fund’s financing needs, based on risk assessment.

18. Reports by the board

(1) The board shall report annually to the Minister and to the Minister responsible for finance on payments into and out of the fund and the adequacy of the fund for responding to compensation claims arising from ongoing or foreseeable outbreaks of avian influenza.

(2) The Ministry shall publish the reports received in accordance with subsection (1).

19. Engagement of stake-holders

The Minister and the board shall ensure consideration of the views of poultry owners and any other concerned stake-holders in the management of the fund.

20. Awareness

The Minister shall promote awareness among poultry owners and producers regarding the existence and operation of the fund by organizing adequate advertisement.
21. Settlement of disputes

(1) Any person aggrieved by a decision of a Culling and Compensation Supervision Committee or of the Board regarding compensation in accordance with this Decree may appeal to the Minister.

(2) Any person aggrieved by a decision of the Minister under this section may appeal to the courts of law.
Annex 4 - Draft compensation procedures

A schematic overview of proposed compensation procedures is depicted in Figure 1 in Section 5 of the main report.

The following compensation procedures are intended to provide the foundations of what will comprise a “Compensation Procedures’ Manual” to be developed as part of the next steps as presented in Section 7 of the main report.

Stage 0: Pre-outbreak situation

In order for the Government of Armenia to be best prepared in the event of an outbreak of Highly Pathogenic Avian influenza (HPAI) the already established National Committee on Avian Influenza (NCAI), which acts upon governmental decree, whose members are the Minister of Agriculture, Minister of Health, Minister of Natural Resources, Minister of Emergency; has defined before the appearance of an HPAI outbreak the following concepts. In the draft governmental decree as currently proposed in annex 3, some of the following aspects are specifically addressed, while the same decree makes reference to (1) a ministerial decree to be periodically issued by the Minister, to specify compensation rates by categories and (2) the Manual adopted by the Board to specify culling procedures, forms etc.

1. Eligibility for compensation:
All poultry owners whose birds have been officially culled by the authorities will be eligible for compensation.

2. Categories of poultry to be compensated will be:

Adapting to the Armenian context from FAO’s classification of poultry production systems, poultry owners and producers are divided into sectors as following:

<table>
<thead>
<tr>
<th>System Characteristic</th>
<th>Sector 1: Industrial</th>
<th>Sector 2: Large Commercial</th>
<th>Sector 3: Small Commercial</th>
<th>Sector 4: Backyard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animal species</td>
<td>Poultry</td>
<td>Poultry</td>
<td>Poultry; other domestic animals</td>
<td>Poultry; other domestic animals</td>
</tr>
<tr>
<td>Poultry species</td>
<td>Chicken</td>
<td>Chicken (.other)</td>
<td>Chicken, (. other)</td>
<td>Chicken, (ducks, turkeys)</td>
</tr>
<tr>
<td>Typical flock size</td>
<td>&gt;10,000 birds</td>
<td>2000-10,000 birds</td>
<td>200-2000 birds</td>
<td>&lt;200 birds</td>
</tr>
<tr>
<td>(estimation)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biosecurity level</td>
<td>High</td>
<td>High to moderate</td>
<td>Low-minimal</td>
<td>Minimal</td>
</tr>
<tr>
<td>Bird/product</td>
<td>Commercially</td>
<td>Commercially</td>
<td>Live bird markets</td>
<td>Local consumption; few enter live markets</td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age/species</td>
<td>Good</td>
<td>Good</td>
<td>Moderate between species</td>
<td>None</td>
</tr>
<tr>
<td>segregation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External environment</td>
<td>Good</td>
<td>Good</td>
<td>Moderate; well water</td>
<td>None; well water</td>
</tr>
<tr>
<td>segregation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feeding system</td>
<td>Commercial feed</td>
<td>Commercial feed</td>
<td>Commercial feed</td>
<td>Scavenging; household scraps; some commercial feed</td>
</tr>
</tbody>
</table>
The categories established for compensation in Armenia are the following:

- **Chicken:**
  - Parents
  - Layers
  - Broilers
  - Backyard chicken
  - Eggs (table and hatching eggs) already existing in the farm
- **Other species**
  - Ducks
  - Turkey
  - Quails
  - Geese
  - Ostriches
  - other relevant species

3. **The base-line price for compensation**

Two methods exist to elucidate prices based on either market prices or production costs. It is generally recommended that market prices are used. However, in the case of layer production, since there is no official market for spent hens, the compensation price is based on production costs.

The responsible entity to determine calculation and therefore prices is the Ministry of Agriculture, State Veterinary Inspectorate.

- **Market prices for layers and parent stock categories**
  Layer and parent stock will be compensated the average market price of day old chicks in the 3 months previous to the outbreak, respectively.

- **Market prices for broilers, ADD other cat. category**
  Market prices for broilers should be monitored ideally weekly, otherwise on a monthly basis. The compensation rate will be determined by the average of the 3 months ? previous to the date of the outbreak. To that price-baseline the Government of Armenia needs to decide which percentage they want to compensate (between 50 and 100%, not exceeding 100%).

- **Market prices for the backyard categories**
  Ideally, market prices should be monitored preferably weekly, otherwise monthly, and the average price of the 3 months before the outbreak should be used as the lump sum basis. To that price-baseline the Government of Armenia needs to decide which percentage they want to compensate (between 50 and 100%, not exceeding 100%).

4. The National Committee on Avian Influenza needs to define the members and roles and responsibilities associated to the following:

- **Interministerial Task Force (here after referred to as “Task Force”)**
  Role and responsibility: it is located within the Ministry of Agriculture, Headed by the Deputy Minister, and is responsible for:
- directing the operational component
- monitoring the spread of the disease and
- coordinating activities between Central and Marz levels.

Members: officers within the Ministry of Agriculture, Ministry of Health, Ministry of Emergency, Ministry of Natural Protection.

The specific members of the Task Force will be:

**SPECIFY WORKING TITLES**

5. The Task Force will be responsible of defining roles and responsibilities of:

- **Rapid Response and Culling Teams** *(thereafter referred to as “culling teams”)*
  - Identifying the infected farms and disposal sites at Marz level;
  - Setting out a date and pre-informing farmers
  - Undertaking culling according to international standards;
  - Signing on and approving the culling forms, as agreed upon,
  - Keeping one copy of culling form at the Marz Veterinary Inspectorate;
  - Following-up all the instructions given by the avian flu national committee.
  - Coordinating the culling process with other team members;
  - Any other needed activities.

Specific members of the culling teams will be (process to be done in collaboration with the State Veterinary Services):

**SPECIFY WORKING TITLES** *(also for Marz level)*

6. **Compensation Fund Management Board** *(thereafter referred to as “management board”)*

Roles and responsibilities
- Manage the resources available in the fund
- In collaboration with the Treasury Department in the Ministry of Finance, verify the calculations of compensation due to farmers performed by the Ministry of Agriculture, Department of Planning
- In collaboration with the Task Force, give the payment order
- Identify sustainable funding mechanisms to maintain the fund once World Bank funding has finished

Members of the Management Board:

**SPECIFY WORKING TITLES**

7. The Task Force has to specify that poultry categories and compensation rates will be implemented **homogenously across the nation** so as to avoid movement of poultry and disease spread.

8. Ideally, the Management Board, in collaboration with the Task Force, should be able to specify to farmers the **date** at which the **compensation** will take place. If this is not stipulated, it is likely that, especially in smallholders and backyard producers, farmers will prefer quickly selling their animal to at least obtain some money.
Stage 1: A suspect HPAI case is reported to the Marz Veterinary Inspectorate.

Poultry owners/producers will report a suspect case of HPAI (i.e. high mortality in flocks with respiratory symptoms):

1. Directly or indirectly, through community veterinarians to the Marz Veterinary Inspectorate (MVI),
2. Directly or indirectly to the State Veterinary Inspectorate (SVI)

Cases may also be detected and reported through routine surveillance undertaken by the Veterinary Services.

The responsibility of the Marz Veterinary Inspectorate and Marz Veterinary Laboratory, in accordance with the directions of the SVI referring to contingency plan and technical guidelines whenever they have been notified of a suspect case of HPAI, will be to assign an inspector (veterinarian) to inspect the suspected affected farm and collect samples (appropriate links to the manual or guidelines on HPAI epidemiological best practices should be established). Other quarantine measures should be applied according to the National Contingency Plan on Avian Influenza Control and Prevention which goes along with all the official guidelines of FAO, WHO and OIE.

Stage 2: The Marz Veterinary Laboratory conducts rapid test and the Marz Veterinary Inspectorate reports the results to the State Veterinary Inspectorate and the State Veterinary Laboratory.

The inspector (veterinarian) in charge will bring the samples to the Marz Veterinary Laboratory. The Marz Veterinary Laboratory is responsible for doing the rapid test of HPAI. Appropriate links need to be made to the manual on sample handling and transport.

The responsibility of the Marz Veterinary Inspectorate and Laboratory will be to report the results of the rapid test to the State Veterinary Inspectorate and State Veterinary Laboratory

The responsibility of the Marz Veterinary Laboratory will be to deliver the appropriate samples to the State Veterinary Laboratory in Yerevan. Appropriate links need to be made to the manual on sample handling and transport.

Stage 3: The State Veterinary Inspectorate reports the suspect HPAI case to the National Committee on Avian Influenza.

The State Veterinary Laboratory will receive the samples from the Marz Veterinary Laboratory and will be responsible of conducting the appropriate tests. Eventually, laboratory tests should be confirmed by recognized external veterinary laboratories (e.g. OIE reference
operational manual for compensation

laboratories). The results of the analysis will be reported to the State Veterinary Laboratory
and to the State Veterinary Inspectorate. The latter will be responsible to transmit any positive
result to the National Committee on Avian Influenza.

Stage 4: The National Committee on Avian Influenza authorizes the State Veterinary
Inspectorate, through the compensation fund’s Management Board, to commence culling.

The National Committee on Avian Influenza (NCAI), (see stage 0), will be expected to meet
promptly in the event of an outbreak of Avian Influenza.

The responsibility of the NCAI will be to:

1- make a decision on whether or not to commence culling and
2- inform the Task Force and the Management Board.

The Management Board, which will be formed prior to there being an outbreak of HPAI and
will be expected to convene on regular occasions (see stage 0), in collaboration with the Task
Force, will be responsible for disseminating the following information about compensation:

(i) who will be eligible for compensation payments (see stage 0),
(ii) what will be the compensation rates (see stage 0),
(iii) what public awareness measures will need to be taken (see stage 0).
(iv) how officially culled poultry numbers calculations will be made (see stage 6 and 7)
(v) how will the calculations of compensation amounts be performed (see stage 8 and 9)
(vi) who will make the disbursements and payments (see stages 10 and 11),
(vii) how the disbursements and payments will be monitored (see stage 11)

Stage 5: The Task Force on Avian Influenza mobilises the Culling Teams and
communicates the culling arrangements

The Culling Teams, which have already been established (see stage 0), will act upon a
decision of the Task Force to commence culling poultry. Arrangements for increasing the
number of teams and members per team can be done as required.

Stage 6: The Culling Teams commence culling.

The Culling Teams will be responsible for recording and verifying the poultry owner or
poultry enterprise and the number of birds being culled. The culling and burying process
needs to be in line with the environmental quality requirements stated in the culling and
burying manual. Refer to the manual for specifications which follows the official international
guidelines from FAO, WHO and OIE.

The Culling Teams will collect the relevant information using pre-numbered culling forms to
be used at the time of culling. Separate forms will be used for Sector 4 (backyard) producers,
and Sectors 1, 2 and 3 (intensive production and semi-commercial) producers.

- Sector 4 (backyard) individual culling forms: these will be completed for each poultry
  owner; they will include personal and demographic data, the number of poultry that is
  culled, the rate of compensation to be paid per bird per category, and the names and
signatures of each of the representatives of the Culling Teams as well as the signature of the poultry owner, community chief and the head of the local committee.

As mentioned in Stage 0, the amount of compensation paid to Sector 4 (backyard) owners will be based on a percentage of the market price 3 months preceding the culling, and will be paid for poultry that are alive at the time of culling only and irrespective of age.

- Sector 1, 2 and 3 (intensive production and semi-commercial) culling forms: these will be completed for each poultry producer; it will include personal and demographic data, the number of poultry that is culled, the rate of compensation to be paid per bird per category, and the names and signatures of each of the representatives of the Culling Teams as well as the signature of the poultry owner. Compensation prices will be those set previously in Stage 0.

The two types of culling forms will have 6 carbon copies of different colours which will go:
1. one to the poultry owner,
2. one to the responsible person of the Culling Team,
3. one to the State Veterinary Inspectorate,
4. one to the Ministry of Agriculture, Department of Planning
5. one to the Ministry of Finance, Treasury Department
6. one to the Management Board

**Stage 7: Culling Teams compile the forms and handle them to the Marz Veterinary Inspectorate. The Marz Veterinary Inspectorate enters the culling data into a database and sends the culling forms to the State Veterinary Inspectorate.**

The representative of the Culling Team will be responsible for:
1. Compiling all the filled culling forms and handle them to the Marz Veterinary Inspectorate.

The Marz Veterinary Inspectorate will have the responsibility of:
1. Entering the data of the culling form into their database,
2. Compiling the information in a summary spreadsheet which will be used as covering letter
3. Organise the forms by colour of the copies, that is piling up the carbon copies by colours
4. Attaching one cover letter to each of the colour piles.
5. Sending each pile of the copies with covering letter to the State Veterinary Inspectorate.

The local database can use a simple excel spreadsheet format with separate sheets for sector 4 and sectors 1, 2 and 3 culling forms. The numbers on the pre-issued culling forms can be recorded with the details of the culling numbers and categories spread along the columns.

By entering data the numbers of the pre-issued forms it enables crosschecking, thus ensuring that there are no replications; in the event of replications or errors these will be corrected and noted on the forms.
No calculations should appear at this stage in the database (this will be calculated by the MoA, Department of Planning at the Ministry of Agriculture as specified in stage 9.

**Stage 8: The State Veterinary Inspectorate sends the culling forms with the covering letter to the Treasury Department in the Ministry of Finance and cross-checks the information of the Marz database with the information of the form they will be retaining**

The State Veterinary Inspectorate will be responsible for:
1. Sending the copies of the culling forms with the covering letter to the Ministry of Agriculture, Department of Planning,
2. Cross checking the data entered in the database at Marz level with the forms they are retaining at the State Veterinary Inspectorate;
3. Sending the cross-checked database to the Ministry of Agriculture, Department of Planning;
4. Sending the copies of the culling forms with the covering letter to the Ministry of Finance, Treasury Department;
5. Sending the copies of the culling forms with the covering letter to the Management Board.

**Stage 9: The Department of Planning in the Ministry of Agriculture receives the culling form copies with the covering letter as well as the Marz database and starts calculations.**

The Department of Planning will receive from the State Veterinary Inspectorate:
1. The culling forms with the covering letter (directed to the Department of Planning and the Management Board and to the Treasury Department);
2. The database which was generated at Marz level and cross-checked at State Veterinary Inspectorate.

The Department of Planning will be responsible for:
1. Undertaking the adequate calculations of the compensation amounts to each of the farmers listed in the forms by using the same database format and adding two new columns for calculation purposes;
2. Cross-checking the information received in the Marz database with their received culling forms copies.

Once the results have been verified, the Planning Department in the Ministry of Agriculture will send the compensation information database and the remaining culling forms to the Treasury Department at the Ministry of Finance and the Management Board.

**Stage 10: The Treasury Department in the Ministry of Finance and the Management Board receive the copies of the culling forms with the covering letter and the database sent by the Planning Department with the compensation calculations.**

The Treasury Department in the Ministry of Finance and the Management Board will receive copies of the culling forms with the covering letter from the State Veterinary Inspectorate.

The Treasury Department and the Management Board will be responsible for:
Using the forms received through the State Veterinary Inspectorate to compare the results obtained with those obtained in the database sent by the Planning Department. This process will serve the purpose of monitoring the calculation process and check of the data obtained;

The Management Board will be responsible for:

- Informing the National Committee on Avian Influenza that calculations have been performed and cross-checked and that the compensation process will start.

Authorizing the appropriate transfer orders through the National Post Office to the affected farmers once the calculations performed by the Planning Department of the Ministry of Agriculture have been double checked by the Treasury Department of the Ministry of Finance and the Management Board. Transfers through the Post Office will be endorsable by the affected farmers upon presentation of ID and the carbon copy of the culling form retained.

**Stage 11: The Treasury Department in the Ministry of Finance records receipt of compensation payments and informs the Management Board.**

Finally, the Treasury Department in the Ministry of Finance will be responsible for recording receipt of compensation payments in the culling and compensation database. The Treasury Department will also be responsible of informing the Management Board of the receipt of compensation payments.

**Monitoring and internal control process**

The monitoring of the process will take place at:

1. **Stage 6:** by verifying through the local authority that culling takes place in the specified farms and that the number of culled birds is the indicated on the culling form. The certification will be done through:
   a. The signature of the responsible person in the Culling Team and local committee and
   b. The farmer’s signature thus acknowledging that the culled number is correct.

2. **Stage 7 to 9:** at these stages monitoring will be performed by:
   a. Matching results between databases at Marz and State Veterinary Inspectorate as well as with the Department of Planning;
   b. Matching the data in the forms received by the Department of Planning with the data obtained through the database sent by the General Directorate of Veterinary Services and Animal Health.

If the results do not match, the source of error should be investigated. This will be the responsibility of the Planning Department at the Ministry of Agriculture.

3. **Stage 10:** since the Treasury Department at the Ministry of Finance and the Management Board will be receiving the database from the Planning Department of the Ministry of Agriculture, and the carbon copies of the culling forms with the covering letter from the State Veterinary Inspectorate, the Treasury Department and the Management Board will
be able to cross-check the results of the calculations performed by the Planning Department of the Ministry of Agriculture.

4. **Stage 11**: the transfer will be issued for the first party only (i.e. the farmer who signed the culling form) and delivered only after presentation of the ID of the first party as well as the culling form retained by the farmer. By receiving confirmation that the transfer has been cashed by the affected poultry owner.

**Ex-post auditing process**
A comprehensive ex-post auditing process will represent an ex post evaluation of the system. This will be performed by a third party as part of the Treasury Department’s routine auditing activities. The company responsible for the third party auditing will be decided according to the World Bank standard procedures.

The results of the audit should be presented to the Minister of Finance as well as to the World Bank responsible person.
FORMS

The following is the basic structure of the culling form which should be produced in 6 carbon copies

- For backyard:

<table>
<thead>
<tr>
<th>Serial Number XXXXX</th>
<th>Date: <em><strong>/</strong></em>/___</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of poultry owner</td>
<td>ID No.: ___________</td>
</tr>
<tr>
<td>Copy of ID</td>
<td></td>
</tr>
<tr>
<td>Marz: ___________ Village: ___________ Location: ___________</td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td></td>
</tr>
<tr>
<td>Contact number if available</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Categories</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backyard chicken</td>
<td></td>
</tr>
<tr>
<td>Ducks</td>
<td></td>
</tr>
<tr>
<td>Geese</td>
<td></td>
</tr>
<tr>
<td>Turkeys</td>
<td></td>
</tr>
<tr>
<td>Pigeons</td>
<td></td>
</tr>
<tr>
<td>Quails</td>
<td></td>
</tr>
<tr>
<td>High value birds</td>
<td></td>
</tr>
</tbody>
</table>

Signatures
Veterinarian (responsible)-------------------------
Assistant veterinarian ------------------------------
Poultry extension agent ----------------------------
Local commission -------------------
Poultry owner----------------------------------------
• For commercial producers:

<table>
<thead>
<tr>
<th>Serial Number</th>
<th>Date:<em><strong><strong>/</strong></strong></em>/______</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of poultry owner</td>
<td>ID No.:___________________</td>
</tr>
<tr>
<td>Copy of ID</td>
<td></td>
</tr>
<tr>
<td>Marz:_________________</td>
<td>Village:_________ Location:_________</td>
</tr>
<tr>
<td>Address</td>
<td></td>
</tr>
<tr>
<td>Contact number if available</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Layer</th>
<th>Number</th>
<th>Parents</th>
<th>Number</th>
<th>Broilers</th>
<th>Number</th>
<th>Turkeys</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>age (week)</td>
<td></td>
<td>age (week)</td>
<td></td>
<td>age (week)</td>
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<td>age (week)</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Geese</th>
<th>Number</th>
<th>Ducks</th>
<th>Number</th>
<th>Hatching</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>age (week)</td>
<td></td>
<td>age (week)</td>
<td></td>
<td>Eggs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Signatures
Veterinarian (responsible)-------------------------
Assistant veterinarian ------------------------------
Poultry extension agent ----------------------------
Local commission ----------------
Poultry owner----------------------------------------
Covering letter sample

<table>
<thead>
<tr>
<th>Number</th>
<th>Name poultry owner</th>
<th>ID No</th>
<th>Serial number of form</th>
<th>Marz</th>
<th>Type of bird</th>
<th>Number of birds</th>
<th>Age per week</th>
<th>Eggs in store</th>
<th>Number eggs</th>
<th>Egg machine</th>
<th>Number eggs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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Date: __________

Name of the Marz Veterinary Inspectorate Director: __________

Signature: ____________________
Database format sample

- For the Marz Veterinary Inspectorate

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<th>Number</th>
<th>Name poultry owner</th>
<th>ID No</th>
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<th>Marz</th>
<th>Type of bird</th>
<th>Number of birds</th>
<th>Age per week</th>
<th>Eggs in store</th>
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- For the Department of Planning

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List of persons met

Ministry of Agriculture

Mr. Levon Rukhkyan, Deputy Minister

Ms. Karine Grigoryan, Head, Legal Department

Mr. Hovhannes Hovanicyan, Head, Financial Department

Mr. Gagik Manucharyan, Head, Plant Cultivation Development Division, Crop Production, Forestry and Plant Protection Department

Mr. Levon Minassyan, Head, Livestock Department

Parliament

Mr. Kachick Manukyan, MP

State Veterinary Inspectorate

Mr. Grigori Baghyan, Director

Mr. Aleksandr Mkrtekyan, Chief Veterinary Inspector, Armatir Marz

Mr. Armen Hambardzumyan, Chief Veterinary Inspector, Ararat Marz

Mr. Galstyan, Chief Veterinary Inspector, Kotayk Marz

Republican Epizootic and Diagnostic Center

Mr. Hovhannes Hakobyan, Director

Ministry of Finance and Economy

Mr. Hayk Ghalumyan, Head, Financing Budget Expenditures Department

Arzakan Village

Mr. Norik Morsesyan, Village Head

Ketamec Village

Mr. Avetik Muradyan, Village Head

Getamej Poultry Plant

Ms. Gayane Sargsyan, Chief Director

Mr. Ashot Ghazaryan, Deputy Chief Director
Lusakert Biogas Plant

Mr. Armen Valian, Managing Director

DFID Armenia Regional Development Programme

Mr. Armen Keshisyan, Country Director

UN Food and Agriculture Organization

Mr. Avetik Nersisyan, Assistant Representative

USAID, Armenia SME Market Development Project

Mr. Gary Dean Kilmer, Executive Director

Mr. Armen Asatryan, Business Advisor, Avian Influenza Field Operations Coordinator

World Bank

Mr. Brian Bedard, Senior Livestock Specialist

Mr. Artevazd Hakobyan, Operations Officer

Project Implementation Unit

Mr. Gagik Khachatryan, Director

Mr. Armen Poghosyan, Project Component Coordinator

Ms. Karine Aghababyan, National Legal Consultant and Interpreter

Mr. Anushavan Aghanayan, Head of Secretariat

Ms. Tatev Arakelyan, Interpreter

Mr. Tigran Gabrielyan, Senior Veterinarian

Ms. Sirapi Haykazyan, Interpreter

Ms. Karine Hovakinyan, Interpreter

Mr. Hayk Karapetyan, Legal Adviser

Mr. Azat Tovmasyan, Procurement Specialist