

Compensation strategy checklist – DRAFT FOR TESTING AND FEEDBACK

<p><b>THIS CHECKLIST IS A GENERAL STATEMENT OF THE AREAS THAT NEED TO BE TAKEN INTO ACCOUNT WHEN TRYING TO DESIGN A COMPENSATION STRATEGY. THE ANSWERS TO EACH OF THESE POINTS WILL OBVIOUSLY DIFFER BETWEEN COUNTRIES. IT IS THEREFORE NOT TO BE TAKEN IN A PRESCRIPTIVE MANNER.</b></p>	
Steps to be taken in designing compensation strategy	Rationale / points to consider
<p><b>1. Determine the reasons for compensation:</b></p>	<p>Compensation may be considered for different reasons. The reason for compensation affects decisions about who should be compensated (see 2.) and how the process should work (see 3-5)</p>
<p>1.1 Compensation reduces the disincentive to report.</p>	<p>These reasons justify a typical compensation process where any farmers whose birds are culled by “culling teams” (as decided by authorities) are compensated for the birds destroyed.</p>
<p>1.2 It is a government responsibility to compensate when private assets of citizens are destroyed for public purposes.</p>	<p>If the government provides complete compensation whenever things go wrong, individuals are not encouraged to take steps to reduce risk. Therefore, compensation would not normally be 100% of lost revenues. Instead risks are shared between farmers and the government, and part of the risk may be borne by some kind of insurance scheme to which farmers contribute (see later).</p>
<p>1.3 Livelihood support: Provide a “safety net” to protect the different groups of farmers against the economic losses incurred by having to wait for restocking and/or when they cannot sell their birds anymore due to the enforcement of movement restrictions. This may take the form of insurance or some kind of social security. Strictly speaking this is not compensation, although it is often discussed at the same time that compensation is being planned, and in countries with a well-funded livestock sector, both compensation and livelihoods support mechanisms may be in place</p>	
<p><b>2. Decide who will be compensated?</b></p>	
<p>2.1 Questions to be considered: Which actors or stakeholders? Should compensation be limited to farmers or also include processors and marketers? Should all sizes of farms/poultry production sectors be included? How will social biases (e.g., anti-poor, gender, ethnic group, etc.) be avoided? The aim is:</p> <ul style="list-style-type: none"> <li>• To encourage early disease reporting.</li> <li>• To encourage people to take part in official compensation schemes, everyone whose birds are culled needs to be included.</li> </ul>	<p>If care is not taken in planning, certain key stakeholders (often the most vulnerable or those with least “voice”) can be excluded from compensation programmes. This can reduce the effectiveness of control programmes and the bio-security status in affected areas.</p> <p>Especially at the beginning of the epidemic, if there is no compensation for dead animals there is the risk of animal movement (i.e. disease spread). However death might not be due to HPAI but to similar diseases (e.g. Newcastle Disease).</p>

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<b>3. Agree on the price for compensation:</b>	
3.1 Several stakeholders need to meet to <b>negotiate</b>	
3.2 It is generally better to have <b>uniform prices at national level</b> to avoid people/farmers moving birds	To avoid movement of birds due to price differences, as this would increase disease spread nationally.
3.3 Different prices by species and category (age, broiler or layer) should be negotiated but it is advised <b>not</b> to include <b>too many categories</b>	Keep the list short to make it administratively implementable.
3.4 Decide in advance what percentage of market price for each category will be paid. Percentage of market price needs to reflect how much can be afforded by the government and what people will accept.	If compensation level is too low farmers will not cooperate. A too high level is a disincentive for sharing the risks (between farmers and governments) associated to the presence of the disease. This measure is especially interesting in the case where there has already been an outbreak to encourage farmers to put in place appropriate/stipulated control and preventive measures
3.5 Decide in advance how market prices are determined. The average for the month or week? The price on the day of culling?	The occurrence of outbreaks has a significant impact on prices. The representativeness and availability of market price information may limit the variety of options to determine the compensation price.
3.6 State a date when the compensation will be received by the farmer (and stick to it)	For farmer compliance with the emergency contingency scheme
3.7 It may also be necessary also to include production losses from “downtime” or birds that die from HPAI.	If farmers are adequately compensated they are more likely to comply with culling schemes. Losses from downtime can be considerable. However, while estimating losses is quite simple for commercial flocks, it is more difficult for backyard flocks.
<b>4. Decide whether the costs of control measures will be refunded</b>	
4.1 Funds should be readily available through pro-rata estimates (e.g. amount per farm/household culled) for direct <b>disease control</b> measures associated to the culling activities such as disinfection, protection for culling teams etc.	A contingency or compensation plan will be less effective if it does not take into account the direct costs of culling and control measures that may be borne by farmers. Compensation programmes might provide good opportunities for building capacity in biosecurity. Funds may be provided to allow upgrading of biosecurity (e.g. bird proofing farms etc)

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<b>5. Administer and enforce compensation</b>	
5.1 Decide in advance on the way people have to register for compensation. The <b>date</b> of compensation needs to be clearly stated to farmers for compliance. Numbers of animals reported need to be checked for accuracy. Each production system presents a different kind of challenge.	To avoid “double compensation” or people missing out. An accurate and accountable registration scheme may be difficult to implement. State culling teams could register the number of birds culled, but they need to work fast, otherwise infected birds might die or people cull their own birds before they can be registered.
5.2 The system to make payments needs to be simple and make use of existing institutions (e.g. veterinary services, financial institutions etc). Farmers might not have a bank account for receiving a payment.	To avoid high administrative costs of transferring the money. However, the efficiency of these institutions needs to be evaluated before engaging them.
<b>6. Funding strategy:</b>	
6.1 Estimate <b>how much</b> is needed to set up the fund (from previous information, i.e. number of animals, categories and compensation levels)	The setting up, source of funding and management of the fund need to be planned in close collaboration with the ministry of finance and may require changes of legislation.
6.2 Sources of funding may be from <b>national</b> and/or <b>local</b> levels.	Depending on the structure of public finances of the country i.e. devolution levels.
6.3 Ideally, funding is from both public and private sources. With a well organised private sector, it is possible to set up a fund for livestock emergencies, to which the government and the private sector can contribute.	To encourage reporting, help to ensure against losses, share the financial risk between the public and private sector so that both will take steps to reduce the disease risk.
6.4 Commercial farmers may take out private insurance if a scheme is available.	Insured farmers will probably be asked to join a quality management scheme.
6.5 In case of <b>international</b> contribution, there is a need to agree on how the funds will be disbursed and the monitoring process.	HPAI being a Global Public Good (GPG) there is a rationale for international contribution.
6.6 Decide who is going to <b>manage the fund</b> and where it is going to be located (i.e. ministry of finance (MoF) / ministry of agriculture (MoA)) at both national as well as local level. Decide on fast mechanisms to disburse those funds to the local level.	MoA tends to have the technical expertise but generally MoF does not allow other ministries to manage funds for what is labelled as “accountability reasons”.
6.7 Negotiation over setting up an initiative for compensation at regional level (for example within a regional trade block such as UEMOA, Mercosur, CAN).	In trade block, there is an economic rationale to set up a regional fund. Other activities could be envisaged within the fund, such as control of other transboundary animal diseases with trade implications. The value of the fund is likely to be considerably less than total contingency for several individual countries.

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<b>7. Medium/long term strategies:</b>	
7.1 Take a clear decision on what is the country's strategy when/if the disease becomes endemic with regard to the compensation scheme above stated.	When dealing with endemic HPAI and the possibility of poultry vaccination attention should be drawn to the interventions needed to modify biosecurity conditions associated to the existing poultry production system in the country (i.e. backyard raising and smallholder producers)
<b>8. The compensation strategy needs to be publicised as part of the awareness campaign/strategy for HPAI control</b>	

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