COMPENSATION STRATEGY

Nigeria

Report

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5-9 April 2006
Summary

Within the context of epidemic of Highly Pathogenic Avian Influenza (HPAI), Nigeria requested support from FAO (5 to 9 April 2006) to assist the Government of Nigeria (GoN) in assessing and fine-tuning the existing compensation strategy which was implemented by the government on an emergency situation.

Since February 2006, 440,000 birds have been culled within two months. Compensation as currently stated is 250 Naira per chicken. Assuming the number of outbreaks constant (which would amount a total of 2.64 million chickens per year), the funds needed for compensation will be 660 million Naira (5.1 million USD). To date, 107.6 million Naira (0.823 million USD) have already been disbursed on compensation.

After discussion with officials in the Federal Ministry of Agriculture, Federal Ministry of Finance, Poultry Association of Nigeria and discussions with intensive poultry farm producers, it derives that:

Short term

1. The current method for the registering of officially culled animals by “culling teams” needs to continue in order to be able to compensate poultry farmers;
2. The timing for disbursement of compensation funds to poultry farmers should be improved and mechanisms to inform farmers of the timing of arrival of funds should be established;
3. Existing poultry categories and prices should be revised, especially it is suggested that the “chicken” category should be further divided into “layer” and “broiler” and their prices set through stakeholder consensus (see section 2.2);
4. Existing public information and awareness campaigns should continue;

Medium term

5. In the event HPAI outbreaks become recurrent, a nation-wide compensation plan will not be sustainable. A medium term strategy to contain the disease might be needed since the country will not afford compensation at a national level. To pay for that strategy funds should be obtained from national sources in order for it to be sustainable (see section 3.2 for details);

Long term

6. Indirect government incentives to the poultry sector should be established in order to allow sector recovering (see section 3.3 for details).
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1 Background

General information:

Population: 131 500 000 (source INED 2005)
Child mortality rate: 100/1000 (source INED 2005)
Poverty index: 35.1 (source CSLP 2006)
Development index: 151st (source CSLP 2006)
GDP per inhabitant: 900 USD (source INED 2005)
Number of poultry: 140 000 000 (source FAO GLIPHA 2004)
Percentage of backyard poultry production: 60% (source GoN)

1.1 Highly Pathogenic Avian Influenza situation

The first outbreak of HPAI in Nigeria was confirmed on the 8th of February 2006 by the Minister of Agriculture and Rural Development. To date it is estimated that 29 Local Government Areas (LGAs) in 14 states have been confirmed with the H5N1 strain by the National Veterinary Research Institute at Vom (NVRI-Vom).

On the 15th of February 2006 the Avian Flu Crisis Management Centre was established in the Banquet Hall Presidential Villa and includes the Federal Ministry of Agriculture, Health, Information and National Orientation and representatives of international and donor communities operating in a 24-hours service.

Two days afterwards, on the 17th of February 2006, the Presidential Committee on the Prevention and Management of HPAI announced the compensation rates and categories that would be disbursed to farmers. These are the following:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (in Naira)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicken</td>
<td>250</td>
</tr>
<tr>
<td>Duck</td>
<td>1 000</td>
</tr>
<tr>
<td>Goose</td>
<td>1 000</td>
</tr>
<tr>
<td>Turkey</td>
<td>2 500</td>
</tr>
<tr>
<td>Emu</td>
<td>10 000</td>
</tr>
<tr>
<td>Ostrich</td>
<td>20 000</td>
</tr>
</tbody>
</table>

On the 5th of April there was dissatisfaction of some members of the Federal Ministry of Agriculture and Rural development since outbreaks continued to be witnessed in Kano, Kaduna and Bauchi States.

As of the 6th of April, the total amount of birds that have died is of 702 000. However, 414 000 is the figure of compulsorily culled animals by the government (i.e. registered for compensation) and an additional 288 000 have been reported to have died but were not registered by the culling teams, so not eligible for compensation. The amount of compensation disbursed to farmers accounts for 107.6 million Naira.

1.2 Poultry sector structure

Out of the 150 million poultry in Nigeria, production systems in the country are structured as it follows:
• 25% highly automated commercial farms with top biosecurity measures
• 15% commercial farms with moderate level of biosecurity measures (i.e. open pens)
• 60% backyard raising

Although there was no clear consensus between the stakeholders interviewed with regard to the exact price change, ranges before and after the outbreak are (in Naira):

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egg</td>
<td>250-300</td>
<td>150</td>
</tr>
<tr>
<td>Broiler (2kg approx.)</td>
<td>800</td>
<td>400-500</td>
</tr>
</tbody>
</table>

Trade patterns in Nigeria consist mainly in eggs to Niger and Chad, and frozen broilers to Benin.

1.3 Stakeholders
Stakeholders in the poultry sector may be classified as it follows:

• Federal Ministry of Agriculture and Rural Development (FMARD)
• State Ministry of Agriculture and Rural Development (SMARD)
• Local Government Areas (LGAs)
• Poultry Association of Nigeria (PAN) representing the 95% of intensive poultry producers of the country
• Traditional producers (smallholders and backyard)
• Non governmental organisations (NGOs)

In the case of Nigeria, the Poultry Association of Nigeria (PAN) seems to have a strong voice in the decision making process.

2 Compensation
This section describes the rationale existing behind compensation plans and the key areas that are recommended to be addressed by the Nigerian government to strengthen the current compensation scheme.

2.1 Reasons for compensation
Within the HPAI context, there are three main reasons pointing out the need for compensation. These reasons are the following:

• The public health threat that HPAI represents for human health,
• The transboundary nature of the virus,
• When there is a private asset (in this case chicken) that has been compulsorily destroyed by governmental decree, the government needs to reimburse that loss in some way.

These characteristics, notably the two first, allow the prevention of HPAI to be considered as a global public good (GPG).
2.2 Current compensation plan

As mentioned in section 1.1, the Nigerian government responded swiftly to the first outbreak of HPAI. The areas tackled in this section follow the rationale stated in the non-prescriptive guidelines prepared by FAO on the implementation of compensation plans (see annex 2).

It is important to mention that the Nigerian government had already experience with compensation schemes for other animal diseases. However, the schemes that the government tried to put in place were not successful. These schemes targeted compensation for CBPP, ASF and Rinderpest, but in the end no compensation was paid to livestock owners. This is probably why there has been such a high commitment at ministerial level to implement a viable compensation scheme in the case of HPAI, so that poultry producers maintain their confidence in the government commitment.

- Registration of birds culled

In the current plan registration of poultry compulsorily culled is performed by the “culling teams”. The composition of these teams involves:

(i) Federal representative
(ii) State representative
(iii) Representative of the state security agency
(iv) Representative of the law enforcement agency
(v) The owner of the farm or his representative

In terms of physical records, the team notes down the number of birds species by species in each farm. The recording includes eggs if applicable. The original stock of each farm is recorded as well as the number of animals that have died previously to the team coming and the number of birds that have recovered.

The records are entered in a pre-designed form which needs the signature of the state representative, the federal representative as well as the owner of the farm or his representative. This procedure is repeated in each farm.

At central level, there is a file for each State where the records of each of the farms were the culling teams have gone is included. This is located in the Central Process Unit.

Computation of the amount to be compensated is done in accordance to each species and associated price.

- Disbursement of funds

Once the computation of funds has taken place, the record is submitted for approval at central government level. It is through an independent account that vouchers are raised.

Effective payment is made in accordance with the local and state governments. For each person who receives compensation the signature and the picture of the farmer are required in the form.

The disbursement date has been made public through statements by the Minister of Information and Communication. To date it has taken to months to disburse the funds to the affected farmers. On the 5th of April the Minister of Information and Communication as well as the Minister for Agriculture and Rural Development went to Nassarawa to make the first reimbursements. The event aimed at reassuring the poultry sector population that commitment
from the government exists and that compensation is taking place. It is expected that the next compensations will be performed by the local authorities, thus not involving central ministries.

- **Categories and prices per category**
  As mentioned in section 1.1, poultry categories as well as the associated prices were swiftly established once the outbreak of HPAI was confirmed. It should be highlighted that the rapid reaction from the government was a good first step towards reassuring the poultry farmer population.

However, in contrast to some countries were compensation programmes have been implemented, it seems that in Nigeria no stakeholder discussion arose surrounding the categories neither the prices associated to them. It is unusual that the chicken category is not further divided into broilers and layers given that prices and investment for each are rather different.

With regard to prices, the decision seemed also to be taken unilaterally without stakeholder involvement. When deciding about compensation prices for poultry, the following need to be taken into account:

- **monitor** poultry market price fluctuations;
- decide whether the **price** will be **base** on: the mean price during the month/week/day before the confirmation of the virus, the price at the day of culling;
- decide with all stakeholders what **percentage of that price** will be reimbursed. It is suggested that a 50-75% of the market price tends to be an incentive good enough to make producers declare and cull their animals and hence avoid animal movement and disease spread within the country. As an example, in some countries in Europe the 100% of the market price is paid;
- the compensation price needs to be applied in a **homogenous** way across the country (given that difference between regions would trigger animal movement and thus disease spread);
- specify to farmers the **date** at which the **compensation will take place**. If this is not stipulated, it is possible that, especially in smallholders and backyard producers, farmers will prefer quickly selling their animal to at least obtain some money.

- **Information targeting the general population**
  As in many other countries affected by HPAI, consumption of poultry products has drastically dropped. It was mentioned during the meeting with the PAN that there has been an 80% drop in egg sales.

  The Government of Nigeria is well aware of the importance on communication to the general population about HPAI and this translates into the Avian Flu Crisis Management Centre. Efforts should continue in this direction to further reassure consumers about the safety measures to be taken with poultry products.

**3 Funding strategy**

Having highlighted the crucial areas in the establishment of a compensation scheme, the following sections analyse: (i) the past fund allocation for livestock, (ii) the likely sources to fund for compensation and other animal health activities associated with HPAI, and finally (iii) on the longer term strategies that need to be initiated now.
3.1 Past allocation

Following discussions with the Department of Livestock Planning and Monitoring Services, it was possible obtain data on the allocation of funds to livestock in 2005. The total amount of funds allocated was therefore of 431.200 Million Naira (3.32 Million USD), of which:

(i) 39 Million to Animal Health Services, which include disease control, quarantine services and veterinary public health;
(ii) 7.8 Million to animal breeding;
(iii) 256 Million to Agricultural Pest Control

However, since the outbreak of HPAI, 200 Million Naira (1.54 Million USD) were allocated to the outbreak, of which:

(i) 31.8 Million to health
(ii) 13.3 Million to information
(iii) 40.0 Million to vehicles etc
(iv) 1.6 Million to supervision
(v) 100 Million for compensation
(vi) 25 Million for surveillance and stamping out for the initial 3 states affected by HPAI.

3.2 Funding sources

Since February 2006, 440 000 birds have been culled within two months. Compensation as currently stated is 250 Naira per chicken. Assuming the number of outbreaks constant (which would amount a total of 2.64 million chickens per year), the funds needed for compensation will be 660 million Naira (5.1 million USD). To date, 107.6 million Naira (0.823 million USD) have already been disbursed on compensation.

What are essential for the compensation process are the resources: (i) where to locate them, (ii) how to manage them, (iii) where to find them.

(i) Following the discussions avec the Ministry of Finance, a budget line has already been allocated and implemented for compensation.
(ii) This special account is held within the Department of Livestock and the 2007 budget line has already been established;
(iii) This Fund finds its resources from the following sources:

- **National treasury:** as a % form (which needs to be specified. However in other countries it has been set at a 3 to 5 % of the national GDP and been earmarked for an “emergency fund”). Nigeria’s GDP is of 58.3 billion USD (Source: World Bank 2003) of which 49.7% (28.9 billion USD) comes from tax revenues (including grants) (source: OECD 2003¹). Should the fund be fed with a 3 to 5% of the tax revenues, the range for the fund would be of *0.867 to 1.445 Million USD* (112.7 to 187.8 Million Naira);

- **Private contributions:** on the 31st of March 2006 donations were received from 3 Nigerian Banks: Diamond Bank contributing with 10 Million Naira (76 927 USD), Oceanic Bank with 10 Million Naira (76 927 USD) and Skye Bank with 2 Million Naira (15 384 USD);

- **Earmarked taxes and levies:** as outlined in section 1.2, the structure of the poultry sector in Nigeria would allow for earmarking taxes and levies imposed on intensive productions to that fund (however it was not possible to obtain an

estimate of the existing taxes associated to intensive poultry production). The federal structure of Nigeria needs to be taken into account since each State and Local authority has its own budget independently from the allocation coming from the Federal (central) government (52.6% and 20.6% respectively). Taxes at State level are collected from road and licenses; at Local level market taxes exist. Hence, duplication taxation should be avoided from the onset.

- **International donors**: In the case of Nigeria a credit of 50 Million USD has been set with the World Bank to be repaid in the next 40 years. This amount includes 10 Million USD earmarked for compensation purposes.

However, in the event HPAI outbreaks become recurrent, a nation-wide compensation plan will not be sustainable, neither will it be advisable (as a matter of example, in Viet Nam USD 18.5 million were used for 41.3 million birds culled within two years). Alternative containment strategies need to be sought and the adequate funding for these earmarked.

The funding sources outlined above could therefore be used for wider purposes than exclusively compensation should alternative disease containment strategies and control measures be implemented. Thus, the original compensation fund could evolve into an “Animal Health Fund” (may be named differently) where the activities funded could be: strategic stamping out plus compensation associated with:

- Strategic culling associated to ring vaccination;
- Biosecurity upgrading and training;
- Surveillance.

### 3.3 **Longer term strategy**

In addition, in the longer term, the poultry sector could benefit from **indirect incentives** promoted by the government. These could be:

- **Insurance** for poultry farmers through the National Agricultural Insurance Company (NAIC);
- **Soft loans** and **credits** at low interest rates to enable farmers restocking. This activity should be associated to an insurance scheme through NAIC;
- **Certification** of day old chicks farms by the government;
- Increase or sponsored training on **biosecurity/hygiene** measures (both at production and market levels) by the government.

### 4 **Conclusions and recommendations**

Within the context of epidemic of Highly Pathogenic Avian Influenza (HPAI), Nigeria requested support from FAO (5 to 9 April 2006) to assist the Government of Nigeria (GoN) in assessing and fine-tuning the existing compensation strategy which was implemented by the government on an emergency situation.

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**Short term**

- The current method for the registering of officially culled animals by “culling teams” needs to continue in order to be able to compensate poultry farmers;
- The timing for disbursement of compensation funds to poultry farmers should be improved and mechanisms to inform farmers of the timing of arrival of funds should be established;
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- Existing public information and awareness campaigns should continue;

**Medium term**

- In the event HPAI outbreaks become recurrent, a nation-wide compensation plan will not be sustainable. A medium term strategy to contain the disease might be needed since the country will not afford compensation at a national level. To pay for that strategy funds should be obtained from national sources in order for it to be sustainable (see section 3.2 for details);

**Long term**

- Indirect government incentives to the poultry sector should be established in order to allow sector recovering (see section 3.3 for details).
## Annex 1 – List of people interviewed

<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/04/06</td>
<td>Dr Demola Majasan</td>
<td>FAO EMPRES Liaison Officer Nigeria</td>
</tr>
<tr>
<td></td>
<td>Mr Helder Muteia</td>
<td>FAO Representative Nigeria</td>
</tr>
<tr>
<td></td>
<td>Professor Timothy Obi</td>
<td>FAO Nigeria, Lead Consultant and Task Force Team Leader</td>
</tr>
<tr>
<td></td>
<td>Dr Junaidu Maina</td>
<td>Head of Livestock Planning and Monitoring Services, Federal Ministry of Agriculture</td>
</tr>
<tr>
<td></td>
<td>Dr K.A. Majiyagbe</td>
<td>Chief technical officer, Livestock – FAO NSPFS</td>
</tr>
<tr>
<td></td>
<td>Dr E. W. Amogu</td>
<td>Deputy Director, Livestock Planning and Monitoring Services, Federal Ministry of Agriculture</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Attended the biweekly meeting on the Avian Influenza Crisis Centre</td>
</tr>
<tr>
<td></td>
<td>Mr Frank Nweke Jnr</td>
<td>Minister of Information and Communication</td>
</tr>
<tr>
<td></td>
<td>Mr Onallo S. AKPA</td>
<td>Director Poultry Association Nigeria (PAN)</td>
</tr>
<tr>
<td></td>
<td>Dr G I Jibike</td>
<td>Assistant director PAN</td>
</tr>
<tr>
<td></td>
<td>Dr (Mrs) R. Adulugba</td>
<td>Director of Federal State Veterinary Services</td>
</tr>
<tr>
<td>06/04/06</td>
<td>Eng M. Ola Akeju</td>
<td>Assistant Director, Office of the Permanent Secretary, Federal Ministry of Finance</td>
</tr>
<tr>
<td>07/04/06</td>
<td>Mr Abdulkareem Olaoye</td>
<td>Budget Department, Federal Ministry of Finance</td>
</tr>
<tr>
<td></td>
<td>Mr Gideon</td>
<td>Budgeting Officer, Federal Ministry of Agriculture and Rural Development</td>
</tr>
<tr>
<td></td>
<td>Dr S. A. Anzaku</td>
<td>PACE,</td>
</tr>
<tr>
<td>08/06/06</td>
<td>Mr Helder Muteia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dr Junaidu Maina</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dr Mohammed Saidu</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dr Demola Majasan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dr Cheryl French</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Debriefing of the mission and presentation of findings</td>
</tr>
</tbody>
</table>
## Annex 2 – General guidelines for the establishment of a compensation strategy

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.

### Steps to be taken in designing compensation strategy

<table>
<thead>
<tr>
<th>Steps to be taken in designing compensation strategy</th>
<th>Rationale / points to consider</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Determine the reasons for compensation:</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 Compensation reduces the disincentive to report.</td>
<td>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)</td>
</tr>
<tr>
<td>1.2 It is a government responsibility to compensate when private assets of citizens are destroyed for public purposes.</td>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
<td>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).</td>
</tr>
<tr>
<td><strong>2. Decide who will be compensated?</strong></td>
<td></td>
</tr>
<tr>
<td>2.1 Questions to be considered:</td>
<td>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. 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</td>
</tr>
<tr>
<td>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:</td>
<td></td>
</tr>
<tr>
<td>• To encourage early disease reporting.</td>
<td></td>
</tr>
<tr>
<td>• To encourage people to take part in official compensation schemes, everyone whose birds are culled needs to be included.</td>
<td></td>
</tr>
</tbody>
</table>
### Nigeria – Compensation strategy

3. Agree on the price for compensation:

<table>
<thead>
<tr>
<th>3.1 Several stakeholders need to meet to <strong>negotiate</strong></th>
<th>To avoid movement of birds due to price differences, as this would increase disease spread nationally.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 It is generally better to have <strong>uniform prices at national level</strong> to avoid people/farmers moving birds</td>
<td></td>
</tr>
<tr>
<td>3.3 Different prices by species and category (age, broiler or layer) should be negotiated but it is advised <strong>not</strong> to include <strong>too many categories</strong></td>
<td>Keep the list short to make it administratively implementable.</td>
</tr>
<tr>
<td>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.</td>
<td>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.</td>
</tr>
<tr>
<td>3.5 Decide in advance how market prices are determined. The average for the month or week? The price on the day of culling?</td>
<td>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.</td>
</tr>
<tr>
<td>3.6 State a date when the compensation will be received by the farmer (and stick to it)</td>
<td>For farmer compliance with the emergency contingency scheme</td>
</tr>
<tr>
<td>3.7 It may also be necessary also to include production losses from “downtime” or birds that die from HPAI.</td>
<td>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.</td>
</tr>
</tbody>
</table>

### 4. Decide whether the costs of control measures will be refunded

| 4.1 Funds should be readily available through pro-rata estimates (e.g. amount per farm/household culled) for direct **disease control** 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 |

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To HPAI but to similar diseases (e.g. Newcastle Disease).
### Nigeria – Compensation strategy

#### 5. Administer and enforce compensation

<table>
<thead>
<tr>
<th>5.1 Decide in advance on the way people have to register for compensation. The <strong>date</strong> 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.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>upgrading of biosecurity (e.g. bird proofing farms etc)</strong></td>
</tr>
<tr>
<td><strong>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.</strong></td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td><strong>To avoid high administrative costs of transferring the money. However, the efficiency of these institutions needs to be evaluated before engaging them.</strong></td>
</tr>
</tbody>
</table>

#### 6. Funding strategy:

<table>
<thead>
<tr>
<th>6.1 Estimate how much is needed to set up the fund (from previous information, i.e. number of animals, categories and compensation levels)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>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.</strong></td>
</tr>
<tr>
<td>6.2 Sources of funding may be from national and/or local levels.</td>
</tr>
<tr>
<td><strong>Depending on the structure of public finances of the country i.e. devolution levels.</strong></td>
</tr>
<tr>
<td>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.</td>
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<tr>
<td><strong>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.</strong></td>
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<td>6.4 Commercial farmers may take out private insurance if a scheme is available.</td>
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<tr>
<td><strong>Insured farmers will probably be asked to join a quality management scheme.</strong></td>
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<tr>
<td>6.5 In case of international contribution, there is a need to agree on how the funds will be disbursed and the monitoring process.</td>
</tr>
<tr>
<td><strong>HPAI being a Global Public Good (GPG) there is a rationale for international contribution.</strong></td>
</tr>
<tr>
<td>6.6 Decide who is going to manage the fund 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.</td>
</tr>
<tr>
<td><strong>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”</strong></td>
</tr>
<tr>
<td>6.7 Negotiation over setting up an initiative for compensation at regional level (for example within a regional trade block such as <strong>In trade block, there is an economic rationale to set up a regional fund. Other activities could be envisaged within the fund, such as</strong></td>
</tr>
</tbody>
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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.

7. Medium/long term strategies:

| 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) |

8. The compensation strategy needs to be publicised as part of the awareness campaign/strategy for HPAI control |  |
Annex 3 – Terms of Reference

Terms of Reference Mission to Nigeria

Compensation Strategy Consultancy

In order to assist the Nigerian government with the implementation of compensation strategy following the recent outbreaks of HPAI, the FAO consultant Ana Riviere-Cinnamond will travel to Abuja during the period 20-27 March 2006.

In close collaboration with the FAO Representation, under the technical guidance of the Chief of the Livestock Policy Branch (AGAL) and in consultation with the appropriate authorities of the Nigerian government, the consultant will undertake the following tasks:

1- Assess the current compensation policy developed by the Nigerian government
2- Examine which elements in the current strategy need to be refined
3- Make recommendations to the Nigerian government as appropriate.
4- To present the findings of the mission to the relevant authorities
5- Prepare a short report of the findings of the mission
6- Perform any other duties that may be deemed necessary.