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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

on

**A new Animal Health Strategy for the European Union (2007-2013) where “Prevention
is better than cure”**

IMPACT ASSESSMENT

New Animal Health Strategy (2007-2013)

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1. EXECUTIVE SUMMARY

The Community Animal Health Policy (CAHP) has come a long way since its initial stages of development in the early 1960s. The adoption of common rules at EU level for the trading of animals and marketing of animal products has played a key role in guaranteeing adequate safety and health standards, enabling intra-community trade and enhancing animal health in general. The CAHP has been further built upon as a result of a succession of major crisis and disease outbreaks that have happened in recent years.

An evaluation was launched by DG SANCO in 2004 to assess the performance of the CAHP over the last decade. During the evaluation period, a number of issues were identified and these are summarised in this document. This initiative intends to address these issues as well as the new challenges that the CAHP faces today.

The main issues identified during the evaluation included the high complexity of the current CAHP, the lack of an overall strategy, and in particular an insufficient focus on disease prevention. These issues have in turn resulted in additional problems, such as a lack of sufficient consistency and coherence with other related policies. Other issues that were raised during the evaluation process were the need for better communication and involvement of stakeholders in the policy making and the need to clarify roles and responsibilities. In addition, problems related to the current financial framework and to the implementation of controls on imports at Member State level were also highlighted. Finally, it was recognised that the assessment of the performance of the CAHP has been too limited.

The global objectives of the CAHP are to ensure a high level of public health while contributing to economic growth and competitiveness and to promote good farming practices which prevent the transmission of animal diseases and comply with animal welfare standards whilst enabling a sustainable development. To achieve these overall objectives, specific objectives were established for the CAHP. Firstly, the EU should focus intervention on animal diseases of high EU-relevance by profiling and categorisation of biological and chemical risks, setting of priorities, quantifiable targets and performance indicators, and the amount of resources to be committed to the identified threats. Secondly, an increased transparency and effectiveness of disease prevention and control should be achieved by setting up a single and clearer regulatory framework, establishing rules and mechanisms that facilitate international trade, while safeguarding a high level of public and animal health, providing incentives for risk-prevention at farms and more responsibilities to the farming sector on disease prevention, improving surveillance and crisis preparedness will allow achieving a better prevention and control of animal disease outbreaks. The EU will stimulate innovation, science and research to provide better tools to fight against animal diseases. This initiative also seeks to contribute to EU-wide objectives, in particular those related to better regulation and the Lisbon Strategy.

To address the problems identified during the evaluation, three broad options were considered in this document. The impact assessment does not go into detail on the different sub-options that have been considered for each specific issue as this analysis has already been done in the context of the evaluation and is included in the final report of the evaluation. The three broad options incorporate the preferred identified sub-option for each specific issue. The first approach identified was the no-change option, which is based on continuing with the current CAHP. The second option is to introduce a new "soft" Animal Health Strategy. This Strategy would focus on soft-regulatory tools, and would aim to improve communication, cooperation and the technical assistance to third countries. In addition, it would aim to support science and research and it would tackle enforcement issues at Member State level. The last option considered was to introduce a new multi-faceted Animal Health Strategy. This strategy would be based on the actions described in the second option, but would also include additional legal elements and in particular the introduction of a new horizontal legal framework, the possible development of an harmonised cost-sharing scheme, the development of an export strategy at EU level, and the implementation of electronic means for animal identification and certification.

The social, economic and environmental impacts of these three options were analysed in this document. The analysis has remained mainly qualitative at this stage due to the broad nature of the initiative and also considering the fact that further studies are planned to fully consider the implications (especially in terms of cost and benefits) of the most important actions envisaged. Annex II provides details on the various studies that are planned. In any case, any new legal proposal will have to undergo a specific impact assessment before it is submitted.

Following this analysis, the overall conclusion was that option 3 was the best option to respond to the issues identified in the evaluation as well as the new challenges that the CAHP is facing, as option 2 despite its positive impacts would not fully address the problems identified.

2. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

The initiative is a SANCO item in the Commission Legislative and Work Programme of 2007. Stakeholders and other Commission services concerned have been closely involved in the preparatory process from an early stage.

In 2004 the Commission launched an independent evaluation to assess the performance of the Community Animal Health Policy (CAHP) over the last decade and its coherence with other EU policy interventions. The aim was to identify elements of the CAHP, which could be further improved and to propose options to achieve these improvements. The evaluation team were also requested to assess the possibility of establishing a harmonised EU "cost sharing scheme" to cover losses caused by animal diseases.

The evaluation was carried out during two years and the final report was published in June 2006¹. It was based on an extensive stakeholder consultation. This extensive consultation included an EU wide survey (over 100 respondents as detailed in Annex III), which will be referred to as the survey in the rest of this document. In addition, the consultation included a separate survey of 34 third countries, and more than 100 interviews with national authorities and other stakeholders (see Annex III and IV). A Steering Group consisting of several Commission DGs (SANCO, AIDCO, RELEX, AGRI, BUDG, DEV, ELARG, ENTR, ENV, MARKT, RDT, TAXUD, TRADE, SG and RELEX), European agencies (OLAF, EFSA and ECDC) and Member States (Finland, Germany, Italy, Poland and the UK) was established to conduct the evaluation process. This Steering Group met four times during the evaluation period.

The results of the evaluation were presented and discussed with the relevant stakeholders at the Conference on the New Animal Health Strategy² held in Brussels, on 7 November 2006, organised by the Finnish Presidency of the EU. Over 500 participants attended the conference and representatives from international organisations, European institutions, farmers associations and consumer associations participated in the different panels.

A scoping paper was prepared based on the evaluation results and the discussions which took place at this conference. The paper considered different options to tackle the problems identified and a road map for the Communication "A new Animal Health Strategy for the EU" was prepared to outline the issues, which needed to be reviewed and to propose actions for the future. The aim is to clarify in a single document what the objectives and policy actions of the CAHP should be in the next years. **As this initiative reviews and defines broad policy lines, the impact assessment has been mainly based on qualitative analysis. More in-depth impact assessments will be carried out by the Commission before submitting each specific legal proposal.**

¹ The final report of the evaluation can be found on the EUROPA website:
http://ec.europa.eu/food/animal/diseases/strategy/index_en.htm

² Results of the conference can be found on the EUROPA website
http://ec.europa.eu/food/animal/diseases/strategy/november_conference_en.htm

An Inter-service Steering Group has been established to guide the work needed for this impact assessment with the representatives of the same DGs that participated in the evaluation of the CAHP. This group met twice during the process. The comments expressed by the various DGs represented at the two meetings (and further e-mail exchanges) have been taken into account in this document.

This document has taken into account the comments and remarks of the Impact Assessment Board. As a consequence of the outcome of the opinion of the Impact Assessment Board some changes have been introduced in this document, in particular the link between the problem definition, the specific objectives and the policy options has been clarified. Examples have been provided in order to illustrate the EU added-value in terms of subsidiarity. The simplification objectives have been further explained giving more details on the new horizontal framework, possible repealing actions, clarifying the volume of the existing legislation that will be subject to this exercise and indicating possible simplification gains. The main components of the cost-sharing schemes have also been explained in more detail. It has also been indicated that the Standard Cost Model for assessment of Administrative Burden will be used when considering the implementation of electronic identification and the cost-sharing schemes. The link between Animal Health and Animal Welfare has been clarified giving specific examples.

3. INTRODUCTION

3.1. Background

The CAHP has come a long way since its initial stages of development in the early 1960s when it was subsumed to the requirements of Common Agricultural Policy (CAP) and largely managed by national Ministries of Agriculture.

In the early 1960s, animal diseases like Foot and Mouth Disease (FMD), Classical Swine Fever (CSF), Rabies, Brucellosis and Tuberculosis were widespread in Europe causing serious losses to farmers and disrupting the normal functioning of the market of live animals and their products, such as meat and milk. Veterinary controls established by national legislation were in place at borders between Member States to prevent the spread of animal diseases and constituted a barrier to trade. Then, it became obvious that it was necessary to adopt common measures to enhance efficiency and replace the national regulations for the trading of animals and marketing of animal products.

The establishment of the internal market in the early '90s has been a major challenge for the CAHP as free trade in live animals and animal products including food of animal origin could only take place if adequate animal health and food safety standards were guaranteed.

The following figures illustrate the economic and social dimension of the agri-food sector in Europe and thus the importance of EU legislation in the veterinary field.

The share of the population employed in **agriculture** in the EU-15 was 3.8% in 2004 (6 208 000 employees) and the share of agriculture in the Gross Domestic Product (GVA: GPD) was 1.6% (155 396 million Euros gross value added at basic prices) (Source: EUROSTAT). The contribution of agriculture to the economies of Central and Eastern Europe is relatively more important than in the EU-15. In 2001 the share of agriculture in GPD of the new Member States was 5% and the share in employment 22.1 %. (Source: EUROSTAT)

The EU food and drink industry is the second most important manufacturing sector in Europe with an annual turnover in excess of 815 billion Euros; it exports some 45 billion Euros of food and drink products to third countries, contributes to a positive trade balance of around 4.5 billion Euros and employs more than 4 million people. (Source: Confederation of the food and drink industries of the EU). The share of the population employed in the food industry in the EU-25 was 2,3% in 2003 and the share of Gross Value Added was 2,2%. (source: EUROSTAT)

After 40 years of the CAHP, the whole chain from “farm to table” is covered throughout the Community by harmonised legislation for live animals and animal products (meats, fish and seafood, milk, eggs, honey and all products thereof). Harmonised animal health measures at EU level have contributed to eliminate or to keep animal diseases under control while intra-EU borders and trade barriers have been removed. Substantial improvement has been made in the animal health status in the Member States. Harmonised rules for pet animals' movements have also contributed to the free movement of people across the EU.

Although improvements of the CAHP were mainly stimulated by **the need to respond to some major crises** that occurred in the Community, the results can be considered positive. Individual Member States tend to readily accept Community rules and do not take unilateral measures disrupting trade when a disease outbreak occurs.

3.2. New challenges for the CAHP

The factors influencing the CAHP have evolved over the last 10-15 years. Despite the positive achievements of the CAHP so far, new challenges and threats for animal health have emerged in recent times:

- Various outbreaks of animal diseases (Bovine Spongiform Encephalopathy, FMD, CSF, Avian Influenza) some of which have also an impact on human health and other public health scares related to the livestock industry such as contamination of animal feed with chemicals like dioxin, have highlighted the **social, economic and political dimensions of animal health and food safety problems**. The emergence of such issues has forced policy makers to re-think the Community approach on the protection of animal and public health and on food safety issues to regain consumers' confidence. The 2000 White Paper on Food Safety and subsequent legislation was issued by the Commission in response to this problem; however, it focused on the food safety aspects and not animal health issues.
- In recent years, the general public has become more aware of other issues that relate to animal health policy, such as the protection of the **environment and the safeguarding of animal welfare**. Consequently, consumers now demand that these issues are considered. The fact that the CAHP was developed when there was less public awareness and concern about animal welfare issues has led to some inconsistencies between the CAHP and the Animal Welfare Policy and these now need to be addressed. Now the concept of animal health not only covers the absence of disease in animals, but also the critical relationship between the health of animals, their welfare and their ability to fulfil their expected function.
- **The Enlargement of the Union** presents new challenges for the CAHP in terms of the nature of its external border and the wider range of production systems and administrative structures it encompasses. A considerable effort has to be made to enhance and further harmonise Member States' systems of surveillance, diagnosis and control of animal diseases and controls at Border Inspection Posts (BIPs).
- The recent outbreak of **bluetongue** in central western Europe, at latitudes that had never been observed before, has highlighted the **effect of climate change in the epidemiology of certain animal diseases**, especially vector-borne diseases, some of which also have an impact on public health.
- **Scientific and technological developments** over the last few decades in the field of animal husbandry (intensive production), food production and processing (industrialisation), and controls (new methods of sampling and analysis) to ensure acceptable safety standards necessitate the thorough updating of Community legislation in this field.

- **Successive reforms of the Common Agricultural Policy (CAP)** have steadily reduced market price supports, increased the emphasis on rural development measures and linked the receipt of direct aids by farmers to their compliance with standards on animal welfare, food safety (including the animal health aspects) and good agricultural and environmental conditions (cross-compliance). The ceiling on agriculture expenditure until 2013, set by the Council in 2002, may cause problems for the Community to pay its 50% or 60% share of the eligible costs of livestock epidemics under the current financing system. In addition, there is uncertainty about the future of the agricultural budget (after 2013), which includes the veterinary fund and is likely to be reduced.
- The **Sanitary and Phytosanitary Agreement (SPSA)** of the World Trade Organisation (WTO) applies to all measures in the areas of food safety, animal health and plant health which, directly or indirectly affect international trade. To respect its commitment to the SPSA, the EU has to intensify its actions to ensure convergence between its legislation on animal health with the international rules issued by the OIE (World International Organisation for Animal Health), which is the international standard setting body for animal health recognised by the WTO. In addition, the EU has to focus its efforts on fighting against unjustified SPS-based barriers to trade as trading partners sometimes use animal health measures for commercial reasons.
- Increased access to the EU market in live animals and animal products has had a positive impact in the EU economy but it has also **increased the risk of introduction of exotic diseases and its spread within it.**

4. THE PROBLEMS TO TACKLE

The main problems identified during the evaluation were the complexity of the current CAHP, the lack of an overall strategy, not enough focus on disease prevention, the need for better communication and cooperation with stakeholders, problems related with the financial instrument as well as enforcement of rules for controls on imports at Member State level.

4.1. Complexity of the current CAHP

Veterinary legislation and policy were widely perceived to be very complex by the stakeholders interviewed during the evaluation of the CAHP. This is largely due to the complexity of the subject matter and to its impact on many other areas and policies. In short, the current CAHP appears to be a complex series of interrelated policy actions rather than a single policy framework.

The EU has a set of legislation in the area of animal health with more than 300 legal acts in force³. The sheer number of legislation issued in the '80s and early '90s to complete the internal market made this legal framework complicated and difficult to understand for stakeholders. In addition, past crises have shown the need to put in place clear and flexible rules for controlling and monitoring animal diseases that can be adapted to every specific situation and to regional factors.

The current CAHP covers the following policy areas and/or instruments:

- **Trade and imports:**

There are a few Council-level legislation concerning only intra-EU trade or imports (2 and 1 respectively). Most of the relevant acts (11 in total) regulate both aspects at the same time and each is dealing with one particular commodity or group of commodities (e.g. bovine semen, bovine embryos, live equidae etc.). In addition there are 11 Regulations on import conditions on animal by-products. More than 100 implementing Decisions are also in force.

- (a) ***Intra-EU trade***

Harmonised rules regarding intra-Community trade and placing on the market are laid down in separate legislation for live animals⁴, semen, ova and embryos (SOE) and animal products, and per species, which are similar in scope and objectives. This legislation has been amended several times following certain crises.

- (b) ***Imports from third countries***

The rules for imports of live animals and animal products are laid down in a number of Council Directives. This set of legislation establishes harmonised animal and public health conditions for the import of live animals and animal products into the Community.

This legal framework ensures that the same principles for importation of live animals and animal products are applied in all the Member States. This in turn ensures that animals or their products that carry unacceptable health risks do not enter the EU territory.

- **Control measures for animal diseases including notification systems:**

This body of legislation in this area is scattered over 18 different Council (or Council and Parliament) level acts, usually each dealing with one particular disease but also in other cases with several diseases at the same time and also more than implementing 80 Decisions.

³ http://europa.eu.int/comm/food/animal/index_en.htm

⁴ http://ec.europa.eu/food/animal/liveanimals/index_en.htm

Specific measures have been laid down in so-called vertical legislation⁵ to control the spread of certain animal diseases of major health and economic importance. The objective is to control and, if possible, to eradicate these diseases and thus ensure world-wide recognised disease free-status at Community level. In addition to this legislation for known and present diseases in the EU, there is a risk management procedure in place to detect exotic and emerging risks at Community level and react towards them. This encompasses:

- Collection and analysis of data relating to such risks, such as biological analyses by Community Reference Laboratories (CRLs), for selected diseases;
- Risk analysis by Community agencies such as EFSA and ECDC;
- Risk notification by existing EU systems;
- Contingency plans developed by Member States and approved by the Commission.

- **Traceability measures and systems: Animal identification and registration:**

This set of legislation is constituted by 8 Council (or Council and Parliament) level acts and 23 implementing Decisions. The EU traceability framework consists of two basic elements:

- animal identification and registration systems⁶ to ensure the traceability of animal movements primarily at national level and
- TRACES (Community Trade Control and Expert System)⁷ to ensure the traceability of animals and their products with particular view to intra-Community trade, import or transit.

The aim of this framework is to be able to control the movements of animals and their products within the framework of disease prevention/eradication and ensuring food safety.

⁵ http://ec.europa.eu/food/animal/diseases/controlmeasures/index_en.htm

⁶ http://ec.europa.eu/food/animal/identification/index_en.htm

⁷ http://ec.europa.eu/food/animal/diseases/animo/index_en.htm

- **Financial instrument**

EU co-financing of losses caused by major disease outbreaks is a mixture of ad-hoc compensation through exceptional market support measures and loss-based compensation for veterinary emergency measures as defined in Council Decision 90/424/EEC⁸.

- **Eradication and monitoring programmes for animal diseases**

These programmes include a wide range of measures such as vaccination, testing of animals, compensation for slaughtering or culling and treatment.

4.2. **Lack of a clear overall strategy and insufficient focus on disease prevention**

Several interviewees mentioned the lack of a general approach behind the CAHP measures. The CAHP is often perceived to be **a patchwork of specific actions** and the overall direction is not sufficiently clear.

In the context of the CAHP evolution, the setting of priorities has consisted of a mixture of longer-term components such as the eradication programmes and of short-term or crisis driven elements.

Resources, personnel and management attention tended to follow animal health crises at the detriment of defining longer-term objectives and indicators. Consequently, the apparent lack of a clear and overarching long-term strategy and of a corresponding system for the prioritisation of resources have led to potential misallocation issues and may also undermine effective stakeholder involvement and commitment to the policy as well as creating uncertainty for operators and the public administration. While it is clear that animal health crises will always recur, the evaluation has highlighted **the need to move towards a policy, which is more focused on disease prevention/effective risk management. This also involves a better prioritisation of actions and allocation of resources to fight against animal diseases of high EU relevance.**

This was backed by stakeholders who identified the definition of funding priorities for control and eradication programmes and the need for an increased focus on preventive actions as the main areas for improvement for the CAHP (see Annex V).

⁸

Council Decision 90/424/EEC of 26 June 1990 on expenditure in the veterinary field brings together all Community financial measures for the eradication and monitoring of animal diseases which involve Community budget expenditure and confers upon the Commission the task of taking the necessary applicatory measures.

The lack of a clear overall strategy for the CAHP has led to the following **additional problems**:

- ✓ **More consistency with animal welfare policy has to be achieved**, as the concept of animal health has broadened its scope to include not only absence of animal diseases, but also animal welfare elements. This requires a better coherence between animal health and welfare rules also when considering the financial instrument and animal movements to take into account animal welfare impacts of animal health measures and to find the correct balance between them.

Example of conflict or inconsistencies between animal health and welfare rules:

The main conflict between animal health and animal welfare arises when considering control and eradication measures for animal disease outbreaks. The large scale culling of infected animals to control the spread of major animal diseases and also the welfare slaughter of animals confined within the restricted area has animal welfare and also ethical implications.

Although culling of infected animals will always be necessary to stop the spread of a disease an adequate balance has to be achieved between the animal health and the animal welfare approach to the problem.

- ✓ A better **identification and traceability** of animals was also identified during the evaluation as an important aspect to limit the spread and consequences of outbreaks of animal diseases. A medium to long term move to electronic certification and electronic exchange of movement information between Member States was supported by 52% of those surveyed, although in practice it was acknowledged that this was considered difficult to achieve technically. To meet this latter concern, it was suggested that as a first step there could be a move towards harmonisation of existing procedures (certification, identification and health status databases at national level), followed by the establishment of harmonised exchange systems. (Details on the answers to the survey can be found in Annex VI).
- ✓ **Insufficient consistency and coherence with other related policies and in particular the Lisbon agenda**

A clear majority of respondents to the evaluation survey considered the policy to be internally consistent with public health and food safety objectives, trade policy and the EU international obligations and the Community Agricultural Policy. However, a small majority of stakeholders did not consider the CAHP to be consistent with the Lisbon Agenda (55, 56 % of those surveyed, further detailed data on the answers to the survey can be found in Annex VII).

These results appear to reflect the underlying tension between the need to remain internationally competitive in terms of costs and at the same time to invest in maintaining a high animal health status within the EU. On the other hand, inconsistency with the Lisbon agenda can also be interpreted as a lack of sufficient focus on actions that could have prevented costly disease outbreaks.

Also related with the inconsistency with the Lisbon agenda, evaluators suggested developing an export strategy at European level. The EU has exclusive competence in this matter and recently a Market Access export strategy has been developed by the Commission. The future actions carried out under the CAHP have to be fully consistent with the EU Market Access Strategy.

✓ **Limited assessment of performance**

No systematic evaluations of past interventions of the CAHP have been carried out, as identified during the evaluation. A significant number of respondents to the survey during the CAHP evaluation (39%) indicated the need to improve the EC monitoring system by using more feedback on the performance of the CAHP. (Details on the answers to the survey can be found in Annex VIII).

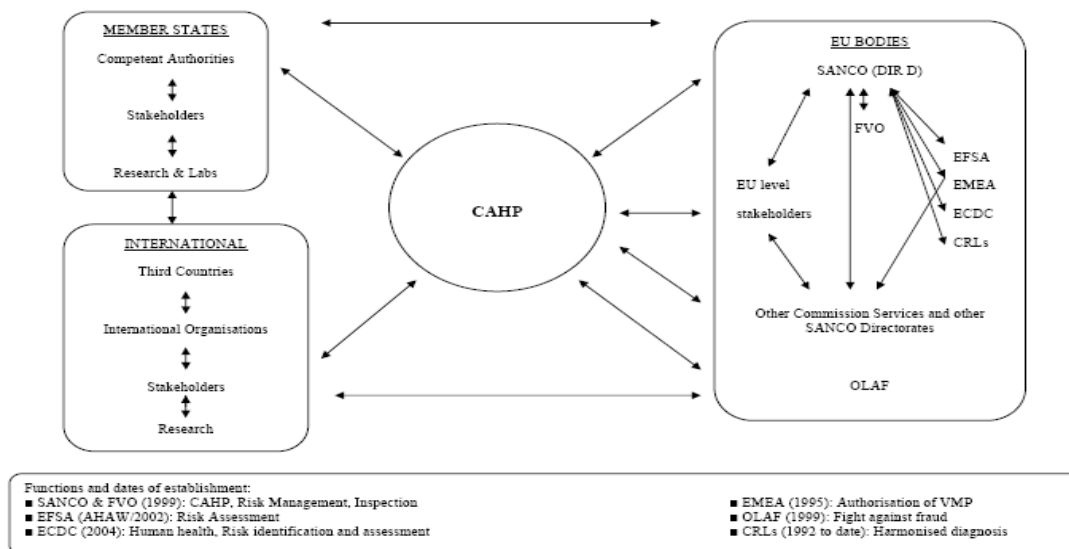
A notable exception would be the disease eradication programmes, for which a specific monitoring system exists, and which has developed clear quantifiable indicators to measure progress and compare targets with results. Decisions have been taken accordingly in 2000 and 2002 to amend the reporting system (for Member State data submission) to fit these indicators and parameters.

4.3. Need for better communication and involvement of stakeholders

4.3.1. Better communication and cooperation with stakeholders

A wide network of cooperation with stakeholders (Member States, European agencies, representatives of farming industries, international organisations and third countries) has been developed during the four decades of existence of the CAHP. This extensive network has been taken into account during the evaluation of the CAHP and the appointment of the members of the Steering Group.

Graph 1. Current CAHP network of cooperation with stakeholders (Source: Evaluation of the CAHP (1995-2004) and alternatives for the future final report. Part I)



The current cooperation structure of the CAHP offers potential for improvements in order to achieve a more coherent and common approach in the design and implementation of the CAHP. In particular, the two areas for improvement identified during the evaluation were:

– **Involvement of consumers and operators:**

The results of the survey indicate that 68% of respondents are satisfied with the Commission’s information and dissemination activities related to the CAHP. This percentage decreases to 54% if we consider the representatives of consumers and operators only (sub-group made of the EU associations/federations and the national representatives of the consumers, industry, farmers and animal welfare). Main areas of dissatisfaction for this sub-group are the information on the control and eradication of animal diseases (42% dissatisfied) and information on the monitoring and surveillance of exotic diseases and new emerging risks (33% dissatisfied). Detailed results of the survey can be found in Annex IX.

– **Co-operation with third countries:**

During the third country survey included in the evaluation of the CAHP, it was highlighted that for third countries it is often difficult to comply with the rules and regulations for import approval set up by the EU and to prepare for FVO inspections.

4.3.2. *Need to clarify roles and responsibilities of actors*

Responsibility for public intervention to fight against animal diseases depends on the possible impacts of a specific disease on public health, animal health and the wider economy. On the other hand, responsibility for the health of animals lies primarily with animal owners and collectively with the industry. As a result, animal owners and industry are better placed than others to deal with many of the risks of animal diseases.

During the evaluation there was a general perception that the CAHP had not sufficiently promoted the development and implementation of preventive measures by the farming industry. In this regard, **assigning more responsibility to farmers** for the prevention of animal diseases should be considered. This implies also a revision of the current financial instrument to further involve stakeholders on the prevention of animal diseases to address the lack of incentives for prevention of the current financial framework as explained later. It would also stimulate competition among farming industries by means of a better prevention of these diseases.

4.4. **Problems related to the current financial framework**

Animal diseases can be very costly not only for the public but also for the private sector. Losses caused by epidemic diseases can be categorised in direct outbreak losses (caused by veterinary measures to control them including business interruption costs and loss in animal value) and indirect losses in other sectors (related industries).

4.4.1. *Description of the current financial framework*

- Council Decision 90/424/EEC of 26 June 1990 on expenditure in the veterinary field brings together all Community financial measures for the eradication, control and monitoring of animal diseases and zoonoses. It lays down the relevant procedures governing the Community's financial contribution. Co-financing is foreseen in the event of an epidemic livestock disease; typically the Member State in which the disease outbreak occurred submits a claim and then the Commission determines the reimbursement according to the eligibility criteria in place. Council Decision 90/424/EEC allows for co-financing 50 percent of the costs of compulsory and pre-emptive slaughter and of related operational expenditure (60% for Foot and- Mouth Disease).
- The eligible costs for co-financing have recently been specified in more detail in Regulation 349/2005⁹.

⁹ Commission Regulation (EC) No 349/2005 of 28 February 2005 laying down rules on the Community financing of emergency measures and of the campaign to combat certain animal diseases under Council Decision 90/424/EEC *OJ L 55, 1.3.2005, p. 12–25.*

- In the case of serious market disturbances due to restrictions imposed by the veterinary authorities in the case of outbreaks of animal diseases like FMD or CSF, exceptional market support measures can be introduced by the Commission in order to support the farmers affected by these restrictions. Exceptional market support measures are implemented under the authority of DG AGRI.
- The financial support mechanisms to control and eradicate aquaculture animal diseases have been recently revised as the fundamental provisions to control these diseases have been updated by means of Council Directive 2006/88/EC¹⁰. Possible Community contribution to the financing of the control and eradication of diseases in aquaculture under the terms of council decision 90/424/EEC has been maintained with the replacement of the [Financial Instrument for Fisheries Guidance](#) by the European Fisheries Fund¹¹.

4.4.2. *Problems identified during the evaluation.*

The analysis¹² carried out in the evaluation has highlighted the following deficiencies of the current system of EU expenditure in the veterinary field:

- Community co-financing is loss-dependent (compensation schemes are mainly focused on providing a compensation mechanism for operators in case of disease outbreak), which may cause **distortions in favour of high-risk areas**. Roughly 85% of the 989 million € spent from the “Veterinary Fund” between 1997 and 2005 were used for co-financing emergency measures in two Member States.
- Although Community co-financing may provide sufficient incentives for effective and rapid control measures, it does **not provide incentives for prevention**, especially with respect to prevention measures that are above the minimum standards required by legislation.
- The **lack of financing of prevention measures may in some cases lead to inefficiencies**, as the total costs of an outbreak might be higher than what it would have cost to prevent the outbreak of the disease or contain it at an early stage by applying appropriate bio-security measures.
- **Disease outbreak losses are only partially compensated** as they only focus on direct losses such as the culling of infected herds, slaughtering and rendering costs etc. This may result in adverse incentives under certain circumstances, because operators with infected herds may be better off than operators under veterinary movement restrictions which could also result in distortion of competition.

¹⁰ Council Directive 2006/88/EC of 24 October 2006 on animal health requirements for aquaculture animals and products thereof, and on the prevention and control of certain diseases in aquatic animals.

¹¹ Council Regulation (EC) No 1198/2006 of 27 July 2006 on the European Fisheries Fund - OJ L 223, 15.8.2006, p. 1.

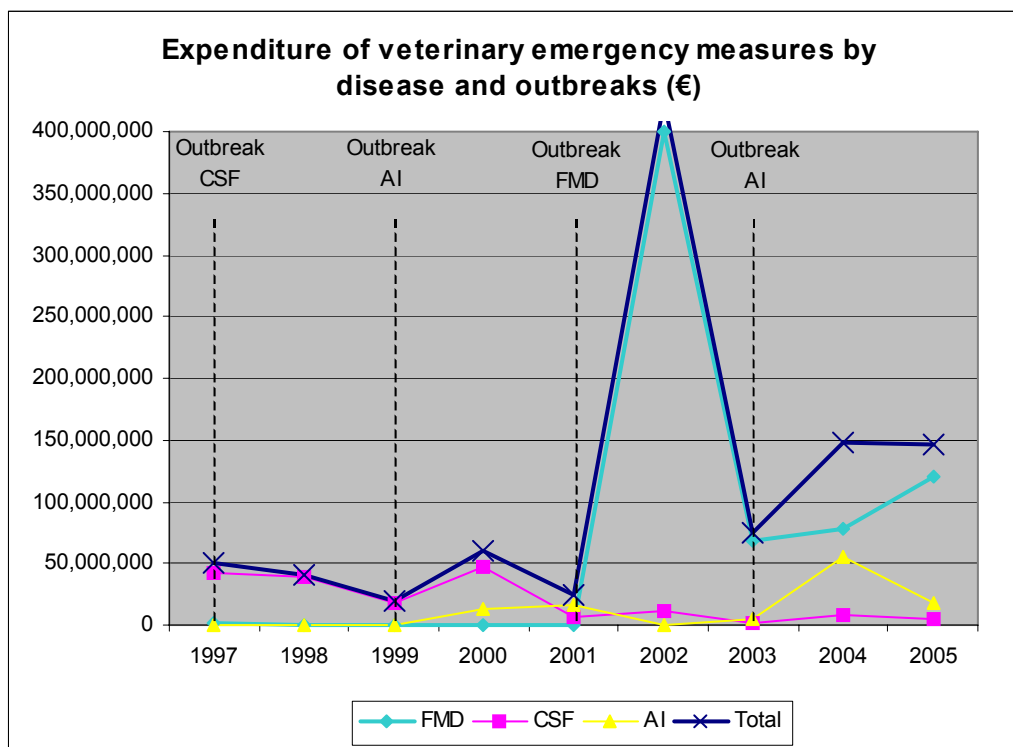
¹² The complete study can be found in http://ec.europa.eu/food/animal/diseases/strategy/final_report_en.htm

- **Community co-financing rules are complex** and require significant administrative efforts for all parties involved. Community measures related to outbreaks of epidemic livestock diseases are currently funded under budget lines from both DG SANCO and DG AGRI with different procedures involved; these can include co-financing of veterinary emergency measures such as the slaughter of animals (direct losses) and exceptional market support measures that provide support to farmers/breeders affected by restrictions imposed by the veterinary authorities (consequential losses). The existing framework is perceived by some Member States as being overly bureaucratic, especially concerning the administrative details of the reporting requirements.
- **The current system of co-financing poses a significant risk for the Community budget.** Although compensation ceilings for the animal value have been set to a certain extent, this is not the case with respect to other measures eligible for compensation, e.g. costs of slaughtering, destruction of animals, disinfection. According to Commission data, the share of this type of costs in the total costs reimbursed is rapidly increasing, pointing to a possible need to clarify rules also in this respect, e.g. by the introduction of flat rates. Therefore, a significant part of the direct losses of livestock diseases are currently covered by the Community, implying a risk for the Community budget that has at various times been criticised by the Court of Auditors¹³.
- **Payments by the “Veterinary Fund” increased significantly since it was originally launched in 1990 and have fluctuated depending on major disease outbreaks** as can be seen in graph 2. During the 7 November 2006 conference on the New Animal Health Strategy, some Members of the European Parliament highlighted that the CAP probably will not have budgetary surpluses from 2008 (ceiling for the agriculture budget). In case of an important animal health crisis, “*the EU could be unable to face its legal obligation (Dec. 90/424/EC) without cutting into the CAP income support*” as any increase of the AGRI budget (of which the Veterinary fund is part) may have as a consequence the reduction of direct payments for farmers (“financial discipline”).
- **In the case of veterinary expenditure in the aquaculture sector,** no specific assessment has been conducted, as no crisis comparable to the terrestrial animal health crisis has been faced up to now. However, the impact of future amendments in Dec 90/424/EC concerning aquaculture animals should be fully assessed, including in financial terms and their possible consequences on the European Fisheries Funds.

¹³

Court of Auditors *SPECIAL REPORT No 1/2000* on classical swine fever, Court of Auditors, *SPECIAL REPORT No. 8/2004* on FMD. In the Report on FMD the court listed as factors contributing to a risk for the Community budget that Community legislation does not include incentives to encourage farmers to participate actively in prevention and control and farmers do not make a direct contribution to the Community funding for prevention and control arrangements. It also criticised the funding system, that has, however, been revised with Regulation (EC) No 349/2005.

Graph 2. Expenditure of veterinary emergency measure (Source: Evaluation of the CAHP 1995-2004 and alternatives for the future final report Part II)



The graph indicates that actual payments of funds from the “Veterinary Fund” have increased overall since 1997. There was an increase in 2002 due to refunds to Member States for their losses suffered by the FMD outbreak in 2001, specifically in the UK, Netherlands, Ireland, and France. When interpreting the peak in 2002 of expenditures under Decision 90/424/EEC it has to be taken into account that prior to this date exceptional market support measures were more often used to cover disease outbreak losses (e.g. during the CSF outbreak in 1997-1998 totalling more than 570 million Ecus). In contrast, during the FMD outbreak in 2001 no exceptional market support measures were implemented.

More detailed data on Community expenditure in the veterinary field can be found in Annex XVI and in chapter 7.1.3.

The following case studies provide details of financial implications for the Community and Member States of some major recent crisis.

Community financial contribution during the epidemic of Classical Swine Fever – The Netherlands, 1997-1998

- The first case of CSF was detected in 1997 and the epidemic lasted 18 months. In total it affected 429 farms and more than 60 % (i.e., 13,000) of Dutch swine farms were affected by at least one control measure. The disease became widespread mainly because it went undetected on Dutch farms for over a month. The Netherlands pursued a number of control policies that resulted in 11 million animals being slaughtered. The control policies implemented by the Dutch government included: stamping-out of infected herds; a movement standstill in areas around infected herds; pre-emptive slaughter of contact herds; pre-emptive slaughter of herds within a 1 km radius of infected herds; welfare slaughter; and a breeding prohibition.
- According to Meuwissen et al.¹⁴, the total cost of the CSF epidemic from 1997-1998 was 2,339 million USD. The FAO estimates that the outbreak of CSF in the Netherlands between 1997 and 1998 resulted in a 0.75 % drop in actual GDP.
- The Netherlands submitted a claim for 402 million € as eligible for the 50% co-financing measures for the whole amount of losses in 1997. The Netherlands received 63.4 million ECU between 1997-1998. Reasons for this low compensation rate are the 6 % deduction by the Commission for VAT (ineligible) and a flat-rate deduction of 25 % (some ECU 20 million). The 25 % penalty was based on the failure to apply Community measures concerning expenditure in the veterinary field during the crisis. Complete data up to 31 Dec 2005 totals actual expenditure from the “Veterinary Fund” for the NL related to the outbreak at 116.2 million €. The EU paid a total of 80.5 million € from the “Veterinary Fund” and an additional 570 million € was spent for exceptional market support measures to the Member States affected by CSF between 1997-1998. **In total, 651.3 million € was spent between 1998-1999 by the EU to Member States including exceptional market support to farmers affected by the outbreak of CSF in Europe.**

¹⁴ Meuwissen, M.P.M., Horst, S.H., Hurine, R.B.M. (1999). A model to estimate the financial consequences of classical swine fever outbreaks: principles and outcomes. *Preventive Veterinary Medicine*, 42, 249-270.

Community financial contribution during epidemic a Foot-and-Mouth Disease epidemic – 2001

- The first case of FMD was detected in the UK in 2001 and the epidemic lasted for 7.5 months. In total, there were 2,033 recorded outbreaks. As with the CSF outbreak in the Netherlands, this disease was widespread before it was detected in the UK; at least 57 farms had already been infected. The disease eventually also spread to 3 other European countries. To combat the disease, the British government primarily followed a stamping-out control policy, which resulted in the slaughter of 9.83 million animals. Additional control measures were a national movement ban and closure of livestock markets.
- Overall, for the 2001 crisis alone the total expenditure declared by all affected Member States (France, Ireland, Netherlands, and the UK) for compensation for slaughter and destruction of animals as well as disinfecting of farms and equipment was about 2,693.4 million €, of which 1,616 million € was claimed for Community reimbursement. Following the decision to reimburse losses related to the FMD crisis of 2001, the EU paid a total of 465.6 million € to Member States from the EU “Veterinary Fund”. No exceptional market support measures have been implemented with respect to the FMD crises.

4.5. Problems with implementation of border controls rules at Member State level

Although it is not possible to establish in absolute terms the extent to which the current controls on declared imports have prevented the introduction of animal diseases in the Community, the consensus during the evaluation survey and interviews was that overall the EU procedures and requirements for declared commercial imports from third countries have been effective and that without the current import controls there would have been more outbreaks of serious animal diseases.

The interviews and survey have revealed **a number of deficiencies in the current system of border controls that can undermine its effectiveness and could potentially have animal health implications**. A range of factors have been identified including weaknesses in MS enforcement and in the cooperation between the relevant competent authorities. . At a more strategic level, there appears to be a need for a more flexible risk based approach that would allow the focus to shift towards particular risk factors (, importers with uncertain track record, irregular trade flows).

Nonetheless, at least two outbreaks of serious animal disease (2001 FMD and 2000 CSF) have occurred in the EU that can apparently be attributed to flows from third countries and **illegal commercial or personal (non-commercial) imports were highly suspected in all cases**. Undeclared and fraudulent trade has been identified as an important issue that requires permanent attention by Member States.

It is interesting to note that the vast majority of respondents of the evaluation survey (72%) **indicated that enhanced cooperation of customs and veterinary authorities?), better training of staff at BIP** are by far the most important issues on which the EU/MS should act in the future to prevent the entry of animal diseases from third countries.

Details on the answers to the survey can be found in Annex X and Annex XI.

5. DOES THE EU HAVE THE RIGHT TO ACT?

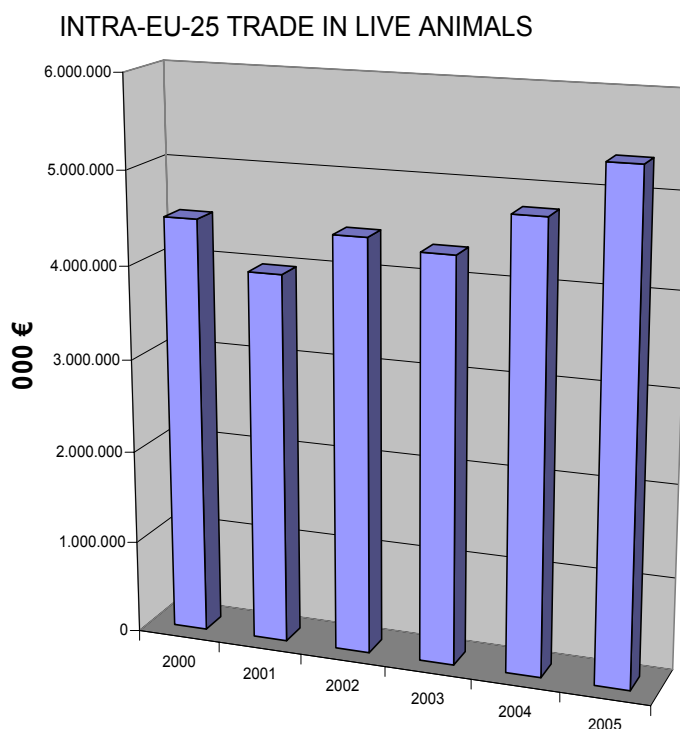
Many of the interventions that comprise the current CAHP have their origins in the 1960s. The CAHP was initially subsumed to the requirements of the Common Agricultural Policy (CAP), and managed by the national Ministries of Agriculture.

5.1. Subsidiarity test

Value-added test

To date, animal health policy at the EU level has played a key role in the establishment of the single market, facilitating the trade in animals and animal products by setting up harmonised animal health conditions for it. Indeed, development of Community harmonised animal health standards has progressed in parallel with intra-EU trade and trade with third countries.

Graph 3. Intra-EU trade in live animals (2000-2005). (Source: EUROSTAT)



The validity of this EU harmonised approach to disease control has been confirmed by judgements of the Court of Justice and by reports of the Court of Auditors, the farming, agro- and food industries, the European Parliament, and other stakeholders. It has been also shown by the evaluation of the CAHP that Commissions' role in respect of the policy has come increasingly widely accepted both within the EU and internationally

Veterinary legislation at EU level has led to harmonised rules which apply to all Member States and replace a complex web of national and regional rules. This harmonisation has helped to **reduce the administrative burden** for operators and traders.

Necessity test

The EU as the largest importer of food and feed in the world needs to protect itself against the possible introduction of exotic animal disease and public health risks posed by the trade in live animals and animal products. As mentioned before, the community has harmonised rules for the imports of live animals and animal products. Their objective is to make sure that the same principles for importation are applied in all the Member States and to prevent animals carrying infectious diseases that are dangerous for livestock or humans, from entering EU territory.

Highly contagious animal diseases do not respect borders as they spread easily from one country to another. Also the wildlife animals play an important epidemiologic role in the transmission of animal diseases and their movements cannot be controlled or restricted between Member States (ex: avian influenza in wild birds). For this reason control measures and harmonised surveillance systems are needed at EU level to prevent major outbreak of animal diseases.

Past evidence of cases where Member States failed to control the spread of the disease (in the absence of EU-wide framework) show that such cases may lead to significant cross-border impacts in terms of animal health and eventually also public health.

The BSE crisis, an example of Community added value of animal health measures

In addition to the national BSE eradication measures taken by the United Kingdom certain measures were already at Community level in the late 80's based on the existing scientific knowledge. When it became evident in 1996 that some fatal cases of the new variant Creutzfeldt-Jacob (nvCJD) in young people in the UK had most likely resulted from exposure to BSE, a Community measure prohibited the export from the United Kingdom of live cattle and of products derived from cattle slaughtered in the United Kingdom.

It was only after that BSE started to be detected in the national cattle population (and in some cases also in humans) in other Member States that harmonised measures proposed by the Commission found sufficient support. Different indicators now suggest a very favourable trend in the BSE epidemic due to those risk reducing measures in place bringing the BSE epidemic under control.

Where risk management measures were always based on the existing scientific knowledge, the existing scientific advisory system at that time was not fully appropriate to deal with this challenge. This changed following the creation of a new scientific advisory system at Community level. The Scientific Steering Committee (SSC) and 8 sectorial Scientific Committees established by the Commission in 1997 offered this independent and transparent advice proving the added value of harmonised approach at Community level also at the scientific support level. The European Food Safety Authority (EFSA) was then established to further strengthen the system.

The BSE crisis has had major economic, social and political consequence in the Member States and in the EU as a whole. The harmonised approach taken at Regulatory level but also for scientific support has been the basis for the success in the case of BSE which would not have been seen if all Member States had taken unilateral individual measures in their fight against BSE.

Boundary test

Crises that have occurred in the past **show that in the case of a disease outbreak and in the absence of a fully harmonised approach** (for example if certain outbreak scenarios are not foreseen in the legislation), Member States may be subjected to internal pressure, that may eventually prevent the adoption of the best measures to control the disease, if they are not bound by Community legislation. This **may finally lead to the spread of disease and additional costs and losses for the farming, agro- and food-industries as well as for the Member States' and the Community's budgets.**

In addition, in the absence of a harmonised approach, trade restrictive measures would be taken at national level disrupting the functioning of the internal market. This would also have a serious impact on EU exports of live animals and animal products as the credibility of EU measures would be jeopardized. Member states will have to face third country restrictions to exports themselves, meaning severe trade restrictions as a consequence of animal health problems losing power to negotiate at international level.

In light of these different elements, EU action is justified as it is clear that Member States can not achieve this satisfactorily and that the EU can do it better and more efficiently.

5.2. Legal basis

Articles 37, 133 and 152 of the Treaty provide the legal basis for the EU legislative measures on animal health as these are an essential part of the Community Agricultural Policy, Public Health and Consumer Protection policies, Trade Policy and the establishment of the Single Market.

Article 37 provides the basis for the EU legislative measures on Community Agricultural Policy. This article also became the basis for a veterinary legislation as the CAHP is considered, from a legal perspective, as a part of the Common Agricultural Policy adopting the same legislative and administrative procedures.

Article 133 provides the basis for a common commercial policy, including an export policy. The implementation of the principles and the mechanisms of the multilateral WTO/SPS Agreement through bilateral agreements with third WTO member countries also fall under Article 133, with the consequence that the Community has exclusive competence in this area¹⁵ as recognized by the Court of Justice thirty years ago.

Article 152 on health protection gives a wider scope to animal health as it refers to the protection of human health from all causes that may damage it. Resulting from this article the legal basis for veterinary and plant health measures directly aimed at protecting public health were adopted under co decision procedure.

¹⁵ In Opinion 1/94 the Court recognized Article 133 as the sole legal basis for the entire multilateral WTO agreements concerning trade in goods, including the Agreement on Agriculture and the Agreement on the Application of Sanitary and Phytosanitary Measures (the "SPS Agreement").

6. OBJECTIVES

6.1. Global objectives

On the basis of the scale of problems and the challenges we face today as outlined in section 3 and 4, the general objectives of the EU animal health policy are to:

- Ensure a **high level of public health**;
 - By reducing the incidence of zoonoses in humans and biological and chemical risks by diminishing the incidence of these diseases in animals.
- Contribute to **economic growth and competitiveness**;
 - By preventing/reducing the incidence of animal diseases, and in this way to support the farming and rural economy.
 - By preventing fragmentation of the internal market and assuring proportionate animal movements¹⁶.
- Promote **farming practices and animal welfare** which prevent animal health related threats and minimise environmental impacts in **support of the EU Sustainable Development Strategy**¹⁷.

6.2. Specific and operational objectives

The specific objectives and related operational objectives are the following ones:

1. **Focusing EU intervention on animal diseases of high EU-relevance**
 - By profiling and categorisation of biological and chemical risks,
 - By setting of **priorities**, quantifiable **targets** and performance **indicators**,
 - By setting of the **amount of resources** to be committed to the identified threats.
2. **Increasing transparency and effectiveness of disease prevention and control**
 - By setting up a single and clearer regulatory framework,

¹⁶ The movement of animals has to reach a balance where the free movement of animals is proportionate to the risk of introducing and spreading of diseases and to the welfare of the animals during transport.

¹⁷ The European Council adopted in June 2006 an ambitious and comprehensive renewed EU Sustainable Development Strategy - DOC 10917/06.

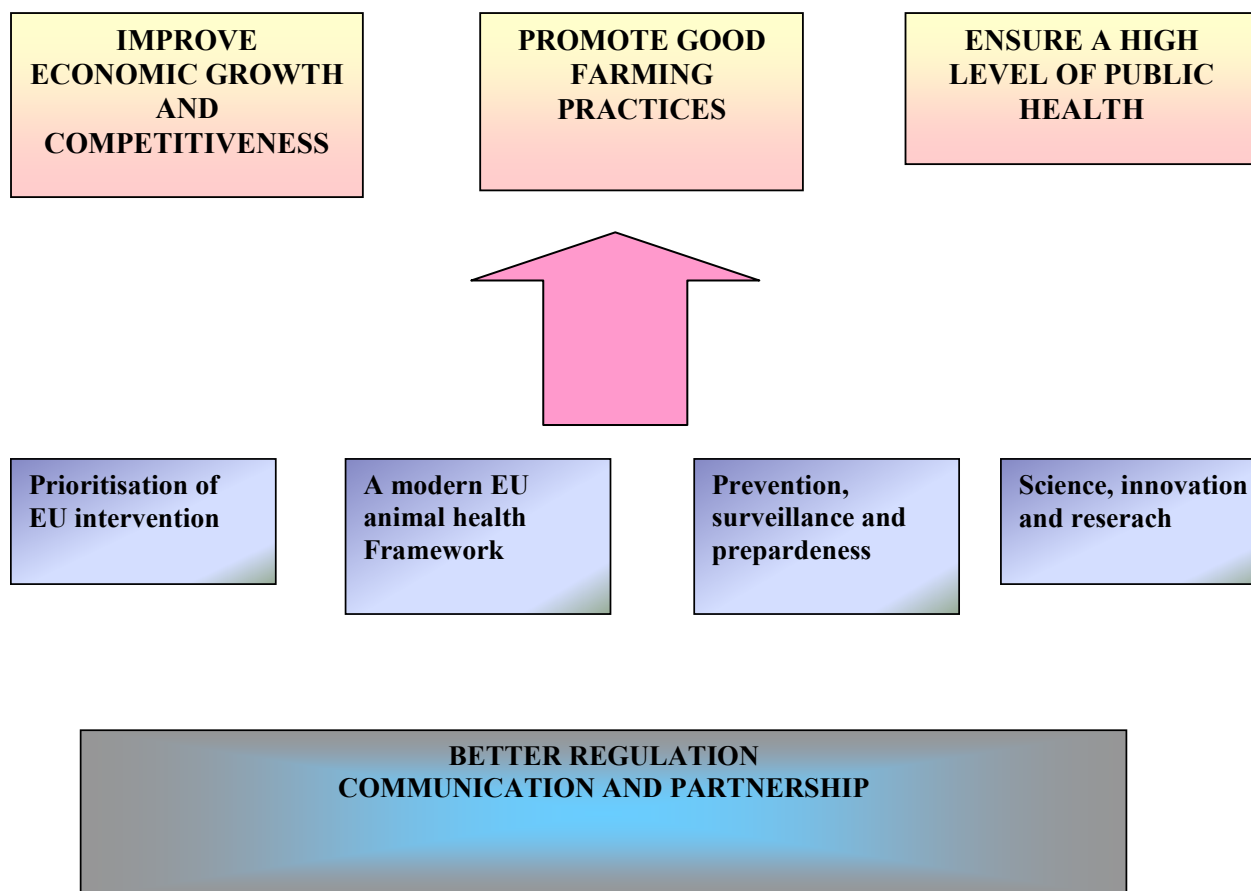
- Establishing rules and mechanisms that **facilitate international trade**, while safeguarding a high level of public and animal health,
- Providing **incentives for risk-prevention** at farms and more responsibilities to the farming sector on disease prevention,
- Improving **prevention, surveillance and preparedness**,
- Stimulating **Science, Innovation and Research**,

6.3. Underlying principles

- This initiative will contribute to the EU's wider objective of better regulation through the use of simplified legislation and better communication with stakeholders prior to the adoption of legal proposals. The Commission will **develop a partnership approach** built on trust, openness and a willingness to take difficult decisions.
- It will also contribute to the **Lisbon agenda, as one of the two global objectives is related to growth and competitiveness of the sector**.

Graph 4 illustrates the links between the objectives, specific objectives and underlying principles.

Graph 4. The intervention logic



7. POLICY OPTIONS

To address the problems identified in chapter 4 and to achieve the objectives defined in chapter 6, three broad options were considered.

Within each broad option, a number of actions are proposed to tackle the issues identified in chapter 4. However, **the document does not provide details on the different sub-options that have been considered for each specific issue identified in chapter 4, as this analysis is included in the final report of the evaluation (Annex XVIII)**. The three broad options incorporate the preferred identified sub-option for each specific issue. However, an example of the sub-options that have been considered during the evaluation has been provided for the issue of cost-sharing scheme.

The first approach identified is the no-change option, which is based on continuing with the current CAHP.

The second option is based on the introduction of a new "soft" Animal Health Strategy. This Strategy would focus on soft-regulatory tools, and would aim to improve communication, cooperation and the technical assistance to third countries. In addition, it would aim to support science and research and it would tackle enforcement issues at Member State level.

The third option considered is to introduce a new multi-faceted Animal Health Strategy. This strategy would be based on the actions described in the second option, but would also include additional legal elements and in particular the introduction of a new horizontal legal framework, the possible development of an harmonised cost-sharing scheme, the development of an export strategy at EU level and the implementation of electronic means for animal identification and certification

7.1. **Option 1: No change-Continuation of the current CAHP**

This option implies continuing with the current approach towards the CAHP to tackle the new challenges described under chapter 3 and the problems outlined in chapter 4.

7.2. **Option 2: A "Soft" new Animal Health Strategy focussed on non-regulatory tools, improving communication and cooperation with stakeholders and third countries, supporting innovation, science and research and addressing enforcement issues at Member State level**

This option would complement the current animal health policy and existing legislation with additional initiatives of non-legislative nature. The envisaged actions are:

7.2.1. *Encouraging best practice at farms*

Under this option, the use of non-regulatory tools such as the drafting of guidelines by stakeholders (with the Commission acting as a facilitator) will be envisaged to cover some of the gaps and inefficiencies of the current animal health legislation. These guidelines would focus on different aspects of day to day management that may be problematic at the farm level and will encourage best practice in this respect. In addition, such guidelines would take into account the risk associated with each type of production and would explain how to contribute to disease prevention and how to implement biosecurity measures.

7.2.2. *Improving communication and partnership with stakeholders*

Better communication towards stakeholders will be achieved by the creation of an "Animal Health Advisory Board", which will be formed as a sub-group of the existing Advisory Group on the Food Chain and Animal and Plant Health¹⁸. This "Animal Health Advisory Board" would include representatives from the animal health sector, from consumer organisations and government representatives to follow the strategy progress. This group would improve the participation of currently under-represented interest groups (consumers/citizens) in the policy debate on animal health and food safety. To achieve a successful communication with the public, all stakeholders including Member States would need to ensure that the messages would reach all the actors involved in animal health issues.

7.2.3. *Improving cooperation and technical assistance to third countries*

Under this option, the EU would improve the communication and cooperation concerning its import requirements vis-à-vis its trading partners.

The EU will focus community development aid efforts on improved Animal Health Capacity via the external cooperation instruments. The exact modalities for providing third countries with technical assistance will be defined within the framework of the external aid programming documents for aid to the beneficiary countries and regions and in accordance with the applicable rules, procedures and practices.

The possible impacts that the implementation of this initiative could have on third countries will be studied so as to be taken into account for the definition of the measures to be taken under external cooperation.

¹⁸ A description of the Advisory group on the Food Chain and Animal and Plant Health is available at: http://ec.europa.eu/food/committees/advisory/index_en.htm

7.2.4. *Stimulating innovation, science and research*

Under this option, the EU would improve its scientific basis for decision making and will achieve a better risk-based approach via the following actions:

- Strengthening the role of Community Reference Laboratories (CRLs)

CRLs activities must ensure harmonisation of disease surveillance systems, diagnosis and control, as these are essential tools for the functioning of the Internal Market. The confirmation of certain diseases by the CRLs on behalf of national laboratories improves the quality of the diagnosis and involves less costs overall. For these reasons the network of CRLs should be strengthened. An evaluation of the current network will be carried out to define how this network should be further improved.

- To develop a suitable framework at Community level to:

- mitigate disincentives to manufacturers and maintain EU capacities, in particular for the reinforcement of the antigen/vaccine banks.
- To ensure fair competition for market access between public (Community or national) diagnostic laboratories producing diagnostic kits and private companies (mostly SMEs) developing also in-vitro veterinary diagnostic test is achieved for a better and wider availability of diagnostic tools.

- Improving cooperation with and between European agencies

DG SANCO will strengthen its collaboration with EFSA and ECDC and will promote an improved cooperation between them and similar Member States institutions. This will achieve a better risk-based approach for the CAHP and contribute to send a coordinated message towards the public when a crisis occurs.

- Improving the use of research funds and programme

The following actions are envisaged:

- ✓ Improved cooperation with DG RESEARCH to define a research action plan involving the industry and other relevant stakeholders. This plan will prioritise animal-related threats and will identify the existing “gaps” in control tools for surveillance, diagnosis, vaccination and treatment.
- ✓ Promotion of animal health as a priority area in the 7th framework programme (2007-2013) to ensure that an appropriate level of funding to implement the research action plan through public-private partnerships is allocated.

7.2.5. *Addressing enforcement issues at Member State level to ensure better control at Border Inspection Posts*

Under this option, to enhance enforcement of the legal framework on border controls, locally based risk assessment groups would be developed to facilitate the identification of higher risk consignments, and assist in the selection of containers to be examined physically. An integrated approach would be needed to effectively target illegal imports. This kind of approach would need to include the following additional actions:

- Improving the TRACES system to facilitate the exchange of information on veterinary checks carried out in BIPs;
- Enhancing coordination mechanisms between customs authorities and veterinary services to target illegal imports; and
- Continuing training of border control officials on animal health issues (as part of the Better Training for Safer Food project¹⁹).

7.3. **Option 3: A new multi-faceted Animal Health Strategy based on elements of option 2 plus a new horizontal legal framework, a possible harmonised cost-sharing scheme, a new export strategy at EU level and the implementation of electronic means for animal identification and certification**

This option would focus Commissions' efforts on the development of a new comprehensive Animal Health Strategy for the period 2007-2013. This option incorporates the elements of option 2, but goes beyond it, as it will also strive for a single and clearer regulatory framework, the prioritisation of EU action, the development of a harmonised cost-sharing scheme, an export strategy at EU level and the implementation of electronic means for animal identification and certification.

This option incorporates the following actions:

7.3.1. *Introduction of a new legal framework*

In accordance with the principles of better regulation, this single legal framework (so-called "EU Animal Health and General Law") will clarify the principles and objectives of the CAHP and will integrate animal health and animal welfare legislation by finding an adequate balance between them and tackling inconsistencies that occurred in the past.

¹⁹ Detailed information on this project is available at: http://ec.europa.eu/food/training/index_en.htm

This legal framework (a “**chapeau**”) would integrate existing horizontal provisions on intra-community trade, imports, animal nutrition, and disease control with **vertical and specific legislation on disease prevention and control and on animal welfare**. Existing legislation will be simplified and replaced by this new framework as much as needed/possible in accordance with the principles of better regulation and it will converge as far as possible with the OIE/Codex recommendations/standards and guidelines.

The EU regulatory framework also needs to be suitably flexible to allow for judgements of equivalence, settlements of dispute and efficient responses to changing situations. Specific attention must be paid to the position of animals kept on a non-commercial basis (i.e. as a hobby) and wildlife, insofar as this impinges on central goals²⁰.

This framework will also:

- provide an integrated risk management strategy focussing on animal diseases, biological and chemical risks as well as animal welfare risks of EU relevance;
- define the scope of the CAHP (i.e. animal health and welfare, all animal in the EU including those kept for farming, sport, companionship and entertainment);
- clarify the roles and responsibilities of the main players in the CAHP (incentive-oriented approach);
- ensure convergence (when appropriate) towards international standards (OIE/Codex standards).

The following elements will be part of this single regulatory framework:

(a) Prioritisation of EU intervention based on categorisation of animal diseases, welfare, biological and chemical risks

Classification of animal-related threats would be carried out according to certain indicators such as the impact on public and animal health; the need for an EU coordinated action and the economic impacts of the diseases.

This classification system would provide a basis for setting priorities and policy actions (ex: for surveillance of animal diseases), acceptable levels of risk, quantifiable targets and performance indicators. It will also support the possible establishment of cost-sharing schemes as public financial support will be determined for each disease according to its relevance.

²⁰

e.g. Natura 2000 which is established through Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, and Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds.

(b) Revision of the current legislation on imports' control:

A revision of the current legislation on imports controls of live animals and animal products to develop a more flexible and risk based approach will help to adapt resources and actions to specific situations and geographical conditions.

(c) Improved Emergency preparedness

An improved emergency preparedness will be based on a more flexible approach towards vaccination, an improved policy on slaughter taking into account animal health issues and a better traceability framework.

- ✓ In response to ethical concerns and the growing demand for improved animal welfare, the EU has already moved to a more flexible approach to vaccination, as well as improving its policy on slaughter.
 - An increased role would be given to vaccination when a risk of a major outbreak of an important highly-contagious diseases (foot and mouth disease, classical swine fever, avian influenza) or vector-transmitted diseases (Blue Tongue) is identified. This will contribute to decrease the number of animals that need to be killed to prevent disease spread. Different elements (i.e. vaccine availability and effectiveness, demands for valid tests if possible differentiating infected from vaccinated animals, OIE international guidelines and possible trade implications, cost-effectiveness analysis, risk of disease introduction by using vaccines) make it important that the decision to use vaccination is taken on a case by case basis.
 - When considering different methods for culling animals scientific opinion of EFSA could provide basis for establishing the most adequate methods taking into account animal health and animal welfare considerations.

These actions will be carried out in compliance with the Communication from the Commission to the European Parliament and the Council on a Community Action Plan on the Protection and Welfare of Animals 2006-2010 (COM(2006)0013).

- ✓ Adopting integrated electronic systems for EU procedures applied in animal movement and identification

The following actions for improving the EU traceability framework would be envisaged:

- Introduction of electronic identification in species, where individual traceability is necessary (in particular ruminants).
- Introduction of electronic certification to replace paper certification for the movement of live animals and their products.

- Creation of a wider, integrated electronic system, in the longer term, which would allow the exchange of information between national databases encompassing all elements of the current set up under certification, animal identification, and animal health status.

7.3.2. *Possibility of developing an efficient cost and responsibility sharing scheme based on a revision of the financial instrument (Council Directive 90/424/EC)*

A **pre-feasibility study**²¹ for developing an EU harmonised cost-sharing scheme to cover losses caused by animal diseases was carried out as part of the evaluation of the CAHP.

Cost-sharing schemes (CSS) refer to "insurance schemes" or other similar financial schemes covering costs related to animal diseases. The main conclusions of this study are highlighted in the impact section and in the problem definition.

The implementation of such schemes could solve the problems of the current financial framework that were identified during the evaluation and summarised in chapter 4.4.

Three main options for the implementation of CSS have been identified during the pre-feasibility study. **The study concluded that the most feasible option is to define a harmonised Community framework for national or regional cost-sharing schemes** and that a follow-up feasibility study will need to be carried out to further analyse the impacts of this option. This option will also leave the possibility for several smaller Member States to set up a joint scheme. The following is a brief summary of the conclusions of the pre-feasibility study.

Main conclusions of the pre-feasibility study on the options for developing an efficient cost- and responsibility sharing scheme (CSS)

- **Option 1: A uniform European CSS**

One of the possibilities analyzed during the study was to set up a uniform European cost-sharing scheme.

However, a uniform European CSS was not considered as a suitable option for the following reasons. A cost-sharing system is supposed to cover risks that may differ nationally and even regionally. A CSS has to be regionally positioned as it does not only compensate losses, but also induces efficient on-farm risk management through risk-adjusted contributions, contract conditioning and monitoring and subsidizes prevention. A uniform cost-sharing scheme at European level would not allow flexibility in the implementation by Member States. In addition, Member States currently feature various arrangements to cover losses from animal disease risks.

²¹ The pre-feasibility study is available at:
http://ec.europa.eu/food/animal/diseases/strategy/main_report_part2_en.pdf

- **Option 2: CSS established at national level**

Another possibility considered in the study was to leave to the Member States the option of establishing CSS but without harmonised rules at European level. This option was rejected as it will lead to possible distortions of competition (depending on public financial contribution to the CSS established by Member States) and will undermine the effectiveness of the CAHP.

- **Option 3: Harmonised EU rules for CSS**

A harmonised CSS at EU level could have different institutional set-ups, but would have to function according to a set of harmonised principles. This would allow flexibility of implementation by the Member States while at the same time increase acceptance of stakeholders, as participation mechanisms are easier to implement at the national or regional level. Possible institutional arrangements at Member State level for covering losses from animal disease outbreaks can either be publicly or privately organised. Public cost-sharing schemes are set-up and operated by Member States or regional governments. Within private arrangements, we can differentiate between *mutual funds* operated by farmers' associations and cost-sharing schemes that involve private insurers.

The study suggested that such an harmonised EU system should be based on:

- Categorisation of animal diseases, biological and chemical risks according to EU relevance
- The obligation of Member States to introduce CSS at the national or regional level with compulsory participation of livestock producers;
- A common objective for the different schemes to provide an efficient transfer of risk from the farmers to the cost-sharing scheme, and induce an efficient on-farm risk management through different levels of contributions and conditions of coverage;

The setting-up of the amount of financial support from the EU and from Member States to a cost-sharing scheme, so that potential distortions of competition are reduced, since public financial support could imply a systematic subsidisation of high-risk areas. Categorisation of animal diseases, welfare, biological and chemical risks will provide the basis for establishing public financial support to these schemes.

7.3.3. *Export strategy at EU level*

In accordance with the Commission's strategy on European Union Market Access, the new export strategy aims to adapt the mix of policy instruments to deliver on market access, to revive the partnership with stakeholders, and to prioritise in order to make the best use of resources.

The CAHP will support the EU market access strategy by means of improving the EU animal health status and the relevant communication towards third countries facilitating exports of EU operators.

The main actions envisaged under the new EU export strategy are the following:

- Identifying the most effective mechanisms and actions for Community and/or Member States actions to support Member States' efforts to overcome SPS barriers to trade;
- Ensuring transparency and full cooperation between Member States and the Commission as regards ongoing trade activities with third countries. In order to better implement this action, a working group including trade and veterinary experts will be established. Close cooperation with the EU Delegations in third countries will also be promoted to improve the efficiency of EU negotiations;
- Identifying EU/Member States' priority sectors and markets for exports in order to develop a targeted strategy;
- Exploring the possibility of the EU membership in the OIE in order to promote the work of the OIE in its tasks of safeguarding world trade and thus facilitating trade.

7.4. **CONSIDERING IN-BETWEEN SCENARIOS**

Scenarios between option 2 and option 3 were considered while drafting this Impact Assessment.

Such examples of in-between scenario could be:

- discarding actions envisaged for cooperation and technical assistance to third countries currently foreseen under option 2 and replacing it with the export strategy activities under option 3 ;
- Integrating the electronic identification elements into option 2 ;
- Discarding some elements of the legal framework within the option 3 (e.g. the CSS or the revision of the imports legislation).

However, such in-between scenarios were not considered in detail as they would have been artificial and would have only partially addressed the problems identified in sections 3 and 4.

8. ANALYSIS OF IMPACTS

8.1. Impacts of no-change scenario

8.1.1. General considerations

This option will lead to a continuation of the current EU level approach to tackle animal health issues.

- Choosing this option would mean accepting the lack of a coherent, comprehensive approach to the EU's work in the field of Animal health and Animal welfare continuing with some inconsistencies that currently exists between them and without finding an appropriate balance between animal health and welfare. General objectives and principles of the CAHP according to which actions must be focused will not be established and roles and responsibilities of all actors involved in animal health will continue to be unclear. The lack of an overall risk-based approach to the CAHP will continue as there will be an insufficient focus on disease prevention. Problems on implementation of rules at Member State level will continue such as controls on imports and targeting of illegal trade that can pose a serious threat to animal health as highlighted during the evaluation of the CAHP.
- The EU will have to face new challenges described in chapter 2.2 for animal and public health with the current legal and financial instrument that will not have been updated to face them adequately.
- The lack of actions to improve the current policy may finally lead to insufficient prevention and preparedness to animal health crisis as these occurred in the past and the Commission would be held accountable for this.
- This option will not provide enough incentives for encouraging prevention measures by farmers and could lower the public acceptability of the EU farming industries that has already been damaged in recent crises.
- The current financial framework will continue to create possible distortions of competition by allocating more money in high risk areas. The unpredictability and risk for the Community and the Member States budget as described under chapter 4.4 will continue.
- Forecasting the impacts of this option is difficult due to the unpredictable behavior of animal health epidemics and the lack of accurate modeling studies in the field. Nonetheless, some of the consequences of past crises have been used to illustrate the possible impacts of a policy with insufficient focus on prevention of animal diseases.

- In order to present the impacts of this option a division between social, economic and environmental impacts has been made. However, as a consequence of strong tradeoffs between them, some economic impacts have been included in the social impacts section.
- The impacts of animal diseases are quite complex. While direct impacts are more straightforward to quantify, the more subtle implications of animal diseases (indirect impacts) are more difficult to assess.

8.1.2. Social impacts

- **Impacts on public health**

- *Impacts of climate change on zoonotic diseases*

This option will imply that no further action is taken and consequently a negative impact is expected due to the unavoidable increasing negative effects of climate change on human health.

Global warming increases the risk of some infectious diseases, particularly those diseases that appear only in warm areas. Deadly diseases often associated with hot weather, like the West Nile virus, are spreading rapidly throughout Europe and North America because increased temperatures in these areas allow disease carriers like mosquitoes, ticks, and mice to thrive (e.g. the number of cases of West Nile in the US and Canada have increased exponentially since 1999).

These diseases present a considerable public health threat either because there are no vaccines or treatments currently available or because the infectious agents are not significantly impacted by sanitation. For the most part, diseases with these characteristics appear to be those that are vector-borne.

- To illustrate *the potential impact of this option on public health*, the following example should be considered:

Possible consequences of a human pandemic caused by a possible mutation of the HPAI H5N1 virus to humans

During previous pandemics great variations were seen in mortality, severity of illness, and patterns of spread. The mortality of the previous century's three pandemics varied enormously, from less than 1 million to some 50 million deaths. One consistent feature reported in all cases, nonetheless, has been the rapid surge in the number of fatalities and their exponential increase over a very brief time, often measured in weeks. The literature draws extensively on the three most documented cases of human flu in the 20th century as well as the most recent experience of a human pandemic scare -- the SE Asian severe acute respiratory syndrome (SARS). Latest estimates indicate that the "Spanish" flu outbreak of 1918 could have been responsible for the deaths of 50 million people, or 2.5% of the population of the time.

Best-case scenarios (WHO), modelled on the mild pandemic of 1968, project global excess deaths in the range 2 million to 7.4 million. **Other estimates** that factor in a more virulent virus, similar to that responsible for the deadly 1918 pandemic, estimate much higher numbers of deaths. The differences arise from assumptions about the inherent virulence of the virus, which following past experiences has been shown to vary greatly. In the final analysis, it is impossible to predict with any accuracy the impact that the next pandemic will have. However, all estimates, from the best-case to the worst-case scenario, suggest that losses would be very extensive.

According to the latest data by the WHO, by 3 February 2007, a total of 271 human cases of H5N1 had been reported, causing a total of 165 deaths. This represents a case-fatality rate of 61%. Experts are concerned that the disease persists in poultry and other birds and the growing number of cases/deaths since the first outbreak in 2003 in a high number of developing countries of Asia and Africa.

The most obvious economic losses of a potential human pandemic are a shrinking and less productive workforce.

- **Impacts on animal health**

This option can lead the EU to face animal health crisis similar to those that occurred in recent years (BSE, FMD, CSF) as it does not provide the necessary tools to encourage a better prevention of animal diseases by stakeholders and will not cover possible gaps that exist today in the prevention of animal diseases.

Impacts of past animal disease crises are described under chapter 4 and later in this section.

- **Impacts on the rural economy**

In global macro-economic terms, the direct impact of animal diseases will depend on the contribution of livestock to the national GDP. However, in the context of the rural economy as such, or in micro-economic terms looking at individual farmers, the economic impact increases as the affected farmers generally have few other sources of income.

There is also an effect on employment after an epidemic of an animal disease, which appears to be determined by the degree of commercialisation and industrialisation in the sector. This negative effect would not be addressed by option 1 and the risk of negative economic effects for rural economy in case of major outbreaks of animal diseases will remain.

To illustrate the impact on employment, the example of BSE crisis in the UK is provided below.

Impact of the BSE crisis on employment. (Source: DEFRA)

The economic loss from BSE had potentially severe consequences for employment. It is estimated that – in the absence of any offsetting measures - there was a potential loss of employment resulting from the reduction in value added in the beef sector of as much as 46,000 full time jobs, compared to total employment in the economy sustained by beef production of some 130,000 persons. This potential employment loss would have been partly offset by a potential increase in employment in the production of substitutes of between 21,500 and 30,000 jobs. In total, therefore, the crisis had the potential to reduce overall employment in the economy by between 16,000 and 25,000 jobs, equivalent to around 0.1% of total employment in the UK, or 4%-5% of all employment dependent on meats. In practice, there is very little evidence of employment losses on anything like this scale. Survey evidence taken at the end of the 12-month period suggests that net job losses were considerably less, totalling only around 1,000 full time equivalents. The reasons for this are twofold:

- many businesses reacted to the crisis by resorting to part time working and temporary layoffs, rather than making workers redundant
- the various forms of subsidy and compensation measures financed from public expenditure helped sustain employment levels.

- **Impacts on consumer confidence**

As mentioned previously, recent crises have revealed the importance of animal health issues for consumers. These crises have resulted in lowering consumer confidence in animal products, which is also increased by disinformation and wrong public perception of risks. These elements have led to overreactions of consumers during animal health crises. The lack of consumer confidence may have important economic impacts as consumption shocks can cause price falls for the affected product. With no EU action a progressive deterioration of consumers' confidence can be expected taking into account the current trend.

The examples of the recent avian influenza outbreaks and of the BSE crisis in the UK demonstrate such possible impacts on consumption.

Impacts of recent Avian Influenza outbreaks on consumption (Source: Eurobarometer)

A special Eurobarometer survey conducted in March/April 2006 on consumers' responses in the EU- 27 following the world **HPAI (Highly Pathogenic Avian Influenza)** outbreaks revealed that nearly a fifth of citizens had reduced their consumption of poultry meat (18% on average, with large country differences). Although three quarters of this group did so only on a temporary basis, some 13% intended to cut down on consumption permanently. Sales of poultry and eggs were reported in early 2006 to have fallen by 70% in Italy and by 20% in France, following announcements of AI outbreaks in other parts of Europe/the world. The Italian farmers' association estimated that the industry was losing €6m a day, and that it had lost a total of about €650m so far.

Impacts of the BSE crisis on consumption (Source: DEFRA)

The combined effect of the fall in demand for UK beef from UK consumers and overseas consumers was a contraction in final demand for UK produced beef of 36% in real terms, over the 12 months following the March 1996 announcement of the possible link between the BSE and new variant of Creutzfeldt Jakob Disease that affects humans. The initial impact of these developments was felt throughout the UK beef supply chain. Beef producers were faced by the disappearance of the markets for cull cows and for surplus dairy calves and the price of beef cattle fell by over 25%. In some parts of the country cattle livestock markets closed for several weeks between March and April 1996.

- **Impacts on communication with stakeholders**

The areas for improvement regarding communication with stakeholders identified during the evaluation will remain unaddressed. This will result in inappropriate input from stakeholders at the early stages of drafting legislation and also insufficient understanding of the underlying reasons for the EU Animal Health measures that sometimes may appear disproportionate.

This misunderstanding and possible a-priori negative view of Animal Health measures would not encourage the necessary changes in stakeholders' behavior to better prevent disease outbreaks.

8.1.3. *Economic impacts*

- **Overall impact on the economy (economic costs of pandemics)**

The economic cost of pandemics, defined as an output loss (in % of GDP), can vary significantly depending on assumptions taken.

In recent years there were several internationally spread diseases that resulted in significant economic costs:

- **BSE** (1996 – 1997): for UK only, GBP 3.5 billion (0.5% of GDP).
- **FMD** (2001 – 2002): for UK only, GBP 10-12 billion (1.2% of GDP) mainly in agriculture / food chain (30%) and tourism (50%).
- **SARS** (2003): mainly for Asian economies EUR 15-30 billion (ADB: US\$18bln (0,6% of GDP); WHO: US\$30bln) while only even though only about 800 people ultimately died from the illness.
- **Avian flu in the Netherlands** (2003): 30 million birds and direct economic costs of more than EUR 150 million.

In case of above mentioned examples, the overall effect on the economy was rather small, however losses that have been incurred by particular sectors or within certain sectors were considerable. The following example provides more details on potential costs in case of avian influenza epidemics

Estimates of potential economic costs of highly pathogenic Avian Influenza pandemics

Several research centres and international organisations, mainly by analysing historical patterns, have already carried out analysis of potential costs of avian flu pandemics. Up to date, the ongoing outbreak of highly pathogenic Avian Influenza in Asia has led to the death or culling of over 125 – 140 million birds, leading to economic losses estimated at EUR 8-12 billion (0.1% of GDP) and the death of around 60 people.

The estimates of economic costs of human flu pandemics vary substantially depending on the scenario assumed. The average approximation of the economic cost lie between 0,6% - 1,3% of GDP loss (US National Centre for Infectious Diseases – 1999). The World Bank estimate warn of costs reaching up to 2% of GDP of affected countries, while Asian Development Bank (2005) alarms that the costs can reach up to 6,5%, especially in cases of more vulnerable Asian economies. To illustrate the extent of possible impact, 2% of global GDP represents US\$800-1.000 billions.

It should be however stated that historical evidence proves that following a major economic downturn, any economy exceeds its normal development rate once the shock is absorbed and operational stability restored. In addition, these analyses do not take into account different exposure to the infection of various groups, as well dissimilarities between various countries. In addition, it ignored the fact that increase in costs in some cases will be partially mitigated by decrease in others, as the distribution of resources will change.

In conclusion, the cost estimates of a pandemic vary from 0,5% - 6,5% of GDP. Published DG ECFIN analysis predicts GDP loss ranging between 2-4 %, including 1,6% in a first year. To illustrate the magnitude of the problem, one has to bear in mind that economic costs of annual flu are around 0,1% of GDP, which for EU-25 translates into 10,6 bln euro.

The most importantly however these costs could be magnified substantially by lack of efficient and timely public information and communication, and then indirect (long-term) costs would significantly exceed immediate costs (short term).

- **Impacts on the farming sector**

Livestock disease outbreaks are a major risk for operators and may cause the following costs and losses for livestock operators:

- ✓ Disease outbreak losses include:
 - Stamping-out of infected herds;
 - Pre-emptive slaughter of contact herds, welfare slaughter;
 - Partial loss of animal value due to control measures such as compulsory emergency vaccination or moving or marketing restrictions causing excessive maturity for slaughter;
 - Costs of slaughter and rendering, disinfection and other direct disease control costs;
 - Business interruption costs and additional expenses directly related to established restriction zones.
- ✓ Price risks should also be considered:

In particular, partial loss in animal value due to price decrease on markets caused by disease outbreaks and/or higher replacement costs.

Detailed figures on losses of operators due to animal disease outbreaks can be found in chapter 4 and later in this document. Minimising these losses would not be addressed effectively with option 1 as it does not provide enough focus on prevention of animal diseases and does not encourage preventive behaviour by stakeholders.

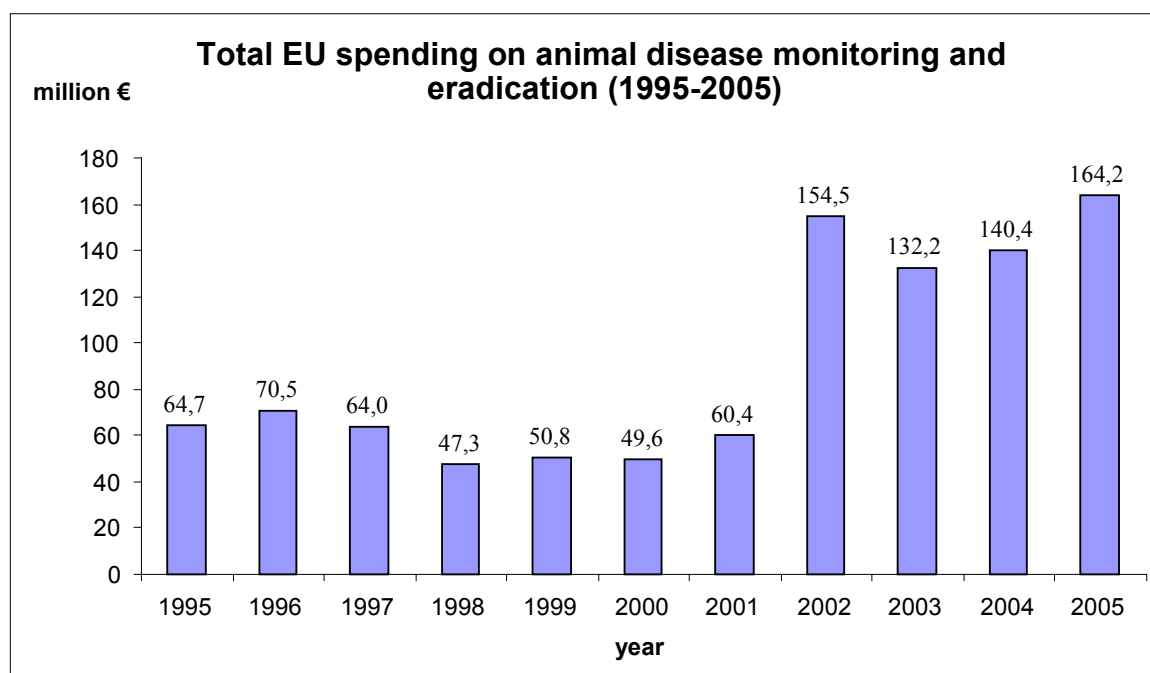
- **Impacts on the EU and Member States' budgets**

Continuing with the current financial framework for loss-compensation for animal diseases means accepting risks for the Community budget that the only upper limit for EU co-financial compensation is budget availability and the rules on financial discipline.

As explained under chapter 4.4, the current financial framework does not provide enough incentives for stakeholders to adopt preventive behavior. The lack of an overall strategy means that clear priorities are not established for allocating funds when fighting against animal diseases.

In addition, the enlargement of the Union represents an added financial effort on control and eradication programs of the animal diseases in the new Member States as illustrated in the graph below.

Graph 5. Total EU spending on animal disease monitoring and eradication (Source: Evaluation of the CAHP 1995-2004. Final report. Part II)



Detailed community financial contribution during animal disease outbreaks can also be consulted in chapter 4.4 and in Annex XVI.

Table 1. Community expenditure on emergency measures (1995-2004). Source. Evaluation of the CAHP 1995-2004. Final report. Part II

Year	CSF	FMD	AI	Other diseases	Total
1995	No data	No data	No data	No data	34,480,000
1996	No data	No data	No data	No data	2,350,000
1997	42,548,958	1,750,000	0	5,503,199	49,802,157
1998	38,523,284	0	0	2,476,715	40,999,999
1999	18,077,535	0	0	2,107,465	20,184,999
2000	47,053,494	0	13,790,015	0	60,843,509
2001	6,279,224	0	17,001,072	731,147	24,011,443
2002	11,418,920	400,448,883	0	12,456,105	424,323,908
2003	1,782,493	67,821,327	4,763,797	469,419	74,837,036
2004	8,923,019	78,733,804	55,916,517	5,137,362	148,710,703
2005	4,159,354	119,961,100	18,227,041	3,297,091	145,644,586
TOTAL costs	178,766,281	668,715,114	109,698,442	32,178,503	1,026,188,340

- **Indirect impacts**

Animal diseases have important economic impacts also for other sectors of the economy in particular for **related industries** (slaughterhouses, animal traders, feed suppliers, breeding organisations, auction markets and processors) **as well as the food and retail industry**.

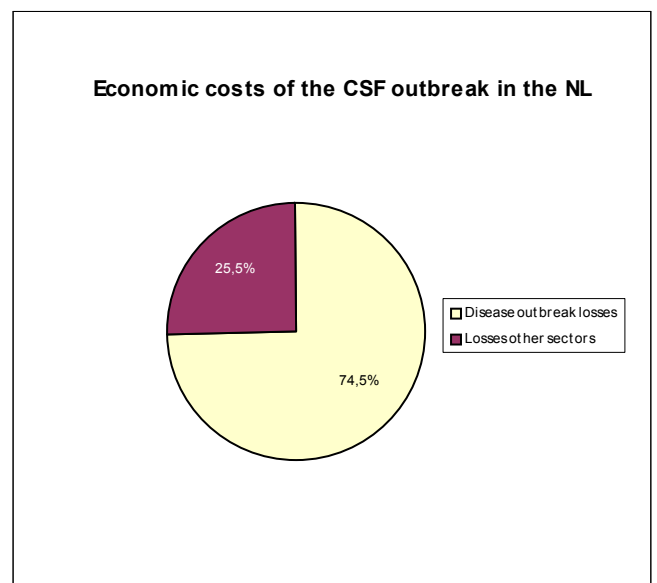
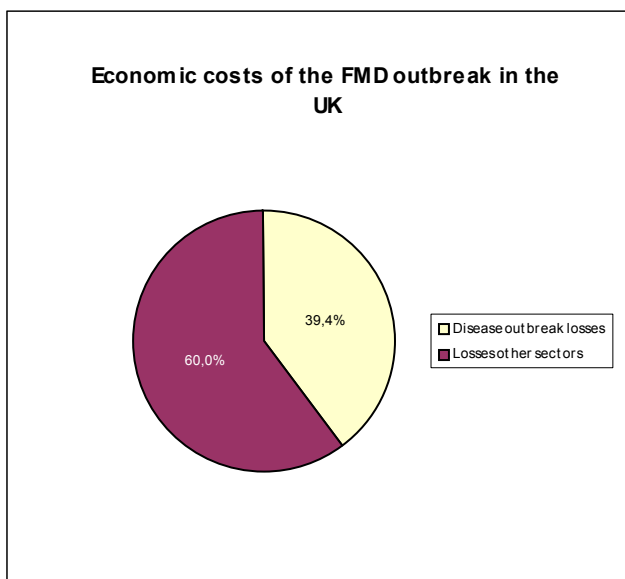
- ✓ Economic impacts of an outbreak of an animal disease **on the food and retail industry** vary if we consider a zoonotic disease or a disease without public health impacts. The main impacts relate to the decrease on supply of raw materials or supply at higher prices. When consumption levels fell dramatically because of public health implications, this can lead to an initial loss in sales and output, a loss in stocks held and also to investment in new production facilities as well as the need to purchase new products to replace the affected ones. It has to be noted that manufacturers and retailers receive no EU financial compensation for losses due to animal disease outbreaks. However, for larger businesses, their proven ability to adjust their product mix and maintain their turnover, reduce the economic impacts of animal diseases in this sector.

- ✓ As regards the impacts on the **feed sector**, the example of the HPAI is revealing. The various HPAI crises, for example, have caused demand for feed to drop substantially in the EU-25, in Asia and in Africa, affecting the feed sector in all countries that were important suppliers of feed inputs. The latest simulations of the FAO model indicate that, with lower meat production pushing down grain and protein feed consumption, this may result in price drops of 3% in the event of a global consumption shock due to AI (assuming a 10% shift in global consumption away from poultry). The European poultry feed industry, which has a turnover of about US\$ 42 billion, has been hit by the **AI** crisis, with a 40% reduction in demand for poultry feed in some EU countries.
- ✓ **Tourism and services** appear to be the two other sectors that are most severely affected by disease outbreaks. The extent to which this will have a significant macro-economic impact will depend on the contribution of these sectors to the national economy. In countries where these two sectors have a major contribution the impact can be devastating.

To give an idea of the possible economic consequences for these sectors, the example of FMD crisis that caused losses of more than 13 billion Euro to the UK economy according to government estimates, is revealing

The impact of two animal health crises (CSF crisis in the Netherlands 1997-1998 and FMD in the UK in 2001) on other sectors of the economy is summarised in the graph below.

Graph 6 and 7. Loss categorisation for the CSF outbreak in the Netherlands (1997-1998). Loss categorisation for the FMD outbreak in the UK (2001).
Source: Evaluation of the CAHP 1995-2004. Final report. Part II



- **Impacts of outbreaks of animal diseases on trade**

The loss of access – or opportunities for access – to regional and international markets tends to have much more important economic implications than production losses alone. The extent of the damage will depend on export orientation of the affected area and can be quite severe for those areas that had an important and established export market before the outbreak.

Markets affected by animal disease outbreaks are characterised by considerable instability as governments are forced to adopt policies to protect their livestock sectors, including import bans, tighter sanitary border control measures, and stronger domestic regulations including movement controls and quarantine, which result in increased price volatility both in domestic markets and worldwide.

Examples of impact of disease outbreaks on trade

- The UK had developed a significant export trade in beef and live cattle during the early 1990s. By 1995, exports of beef of 300,000 tonnes were worth almost £600 million. There was also a substantial trade in live calves from the British dairy herd to the rest of Europe, worth some £70 million. This trade was completely lost when the European Union imposed a ban on all UK exports worldwide as a consequence of BSE crisis. (Source: DEFRA)
- In 2003 Classical Swine Fever (CSF) outbreaks in the Netherlands, Belgium, Germany, France and Spain resulted in a drop of 15 % in live animal exports (Source: Europa- Agriculture Trade Statistics).

8.1.4. *Environmental impacts*

- The current approach towards animal health will continue to allocate more funds to areas of high animal density (high-risk areas) and will contribute to strengthen negative environmental impacts (soil erosion, air and water pollution).
- The potential impacts on biodiversity of certain disease outbreaks should also be underlined. Wild and domestic animals have many diseases in common and both groups can and do play different roles in disease epidemiology. HPAI H5N1 has shown to kill wild birds which can lead in the worst-case scenario to extinction of certain endangered bird species²² Dramatic decrease in wild birds could secondarily influence other birds/ mammal populations for which this serve as feed. Several globally endangered species of birds could be wiped out by this disease.

²² The Lesser White-fronted Goose, Red-breasted Goose, Barheaded Goose, Swan Goose, Oriental Stork and Siberian Crane.

8.2. Option 2: A "Soft" New Animal Health Strategy focused on soft-regulatory tools, improving communication, cooperation and technical assistance to developing countries, supporting innovation science and research and addressing enforcement issues at Member State level.

8.2.1. General considerations

This option is composed mainly of non-legal actions that will be carried out under the current available resources and will not create additional administrative burdens.

This option will provide complementary actions to the existing animal health framework to achieve a better prevention of animal diseases. This option would reduce the possible occurrence of animal health crises.

The budgetary implications of this option will be neutral. The actions outlined in this option will be carried out within the resources available, shifting available resources to these priority areas. As regards technical assistance to developing countries the possible budgetary implication will be in accordance with country priorities defined by the beneficiary countries and with the programming documents agreed with them for EU external aid.

8.2.2. Encouraging best practice at farms including biosecurity measures

- **Social Impacts**

- The implementation of best-practice at farm level will help to adapt preventive measures against animal diseases to regional factors, improving the effectiveness of the legislative framework of animal health without issuing more legislation.
- Promoting the use of best practices (e.g. biosecurity measures at farms) by the farming industry will have a positive impact on preventing animal diseases and will lead to better management of the farms. They will also promote a more active involvement of farmers in the prevention of animal diseases and contribute at the end to improve the public image of the farming sector that was damaged in recent animal health crises.

- **Economic Impacts**

- Best practices related with daily farm management should not represent a large investment for farmers. Other aspects of best practices such as the implementation of biosecurity measures at farms can represent an investment for the farmers in changing or constructing some facilities but this investment will last for many years and will have considerable advantages by preventing animal diseases from entering their holdings.
- The introduction of best practices will lead to a better management of the farm and increase the health status of animals and thus their production rates.

- **Environmental Impacts**
 - Such best practice guidelines will include aspects related to appropriate environmental management of the farm especially as regards the use of veterinary medicinal products, hygiene (management of slurry, etc) to minimise the environmental impact of farming practices.
 - In general terms it has to be noted that animal diseases have also negative impacts on the wildlife (ex: avian flu). Thus reducing their incidence will have a positive impact on the wild life. Guidelines on best practices will also help farmers to understand better the importance of their role in protecting the wild life.

8.2.3. *Improving communication and cooperation with stakeholders/consumers:*

- **Social impacts**
 - Achieving a better communication with stakeholders and consumers will improve their understanding of the underlying reasons for taking certain measures (e.g. banning food in personal luggage when travelling abroad as these can introduce exotic diseases from third countries) and will help to improve consumers confidence in animal products and to avoid an inaccurate public perception of risk
 - Consultation at an earlier stage of the legislative process would help to ensure the better drafting of regulations, taking into account practical issues, enhancing the understanding of the measures by stakeholders, and consequently, their implementation in practice.
 - More planned and scheduled co-operation would provide opportunities for discussing current issues not only when it becomes necessary but also ‘in peace time’ and for being more proactive in developing appropriate preventive measures.
- **Economic impacts**
 - Improving communication on risk to consumers/stakeholders is of utmost importance. Wrong public perception of risk may force regulators to take unjustified or disproportionate (in relation to the real risk) measures when crises that will have high impacts on farmers' income occur.
- **Environmental impacts**
 - Better communication and cooperation with stakeholders and consumers will help to make them aware of the possible environmental impacts that some practices or actions can have.

8.2.4. *Cooperation and technical assistance to third countries*

- **Social impacts**
 - Technical assistance would have a positive impact in third countries as regards animal and public health. This action will improve animal health status worldwide thus reducing risks to animal and public health in the EU.
- **Economic impacts**
 - This initiative would contribute to achieve the objectives of the millennium development goals, the Community's aid efforts and ensure policy coherence for development.
 - Further analysis on the feasibility of this action must be carried out as additional human and financial resources would be needed. Evaluation of resources needed and which countries are considered as priorities for technical assistance on this field will be carried out in 2008. This will take into account the programming documents agreed with beneficiary countries for EU external aid.

8.2.5. *Stimulating innovation, science and research*

- **Social impacts**
 - A policy founded on more science-based risk management through an improved cooperation between and with European agencies will help to achieve a better prevention and control of animal diseases and zoonoses.
 - An evaluation of the CRLs will provide data on how to strengthen their role in the animal health field. Improving disease diagnosis will help to select the necessary control and eradication measures. This evaluation would be carried out in 2007 by an external contractor under the supervision of DG SANCO. On the basis of the results, measures will be taken to improve the functioning of CRLs.
 - This action will provide better tools to fight against animal diseases such as vaccines and veterinary medicinal products developed through research.
- **Economic impacts**
 - Improved cooperation with and between European agencies will help to achieve a better risk approach in decision making targeting actions and resources were needed and helping to take proportionate actions.

- Strengthening the role of CRLs will be cost-effective as the confirmation of certain diseases on behalf of national laboratories improves the quality and efficiency of the diagnostic testing.
- Improving cooperation at all levels for science and research will increase competitiveness of animal health business. Better prevention tools such as vaccines will also have a positive impact for the farming industries as this will reduce the need for culling large numbers of animals.
- **Environmental impacts**
 - A better understanding of environmental impacts of animal diseases and of the tools to fight against them (veterinary medicinal products, vaccination, etc) will be achieved through research.
 - Science and research will provide more environmental-friendly tools to fight against animal diseases.

Despite the positive impacts of this option, the actions proposed would not be sufficient to address all the problems identified during the evaluation of the CAHP and to fully achieve the objectives identified in chapter 6.

TABLE 2. HOW DOES OPTION 2 SCORES FOR ACHIEVING GENERAL OBJECTIVES

GENERAL OBJECTIVES ACTIONS	High level of public health	Economic growth and competitiveness	Good farming practices
Promoting best practices	+ [Better prevention of animal diseases and animal-related threats at farm level]	+ [Though it implies some investments by farmers less losses due to outbreaks of animal diseases through better biosecurity at farm level]	+ [Guidelines will help to implement good farming practices]
Improve communication and partnership towards stakeholders	+ [Better prevention culture among stakeholders]	=	+ [better knowledge of good farming practices]
Stimulating Innovation, Science and Research	+ [better tools to fight against animal diseases]	+ [less losses due to animal diseases] + [better competitiveness of animal health-related industries]	=
Enforcement issues at MS level	+ [better prevention of introduction of exotic diseases]	+ [less losses due to outbreaks of exotic animal diseases]	=
Cooperation and technical assistance to third countries	+ [Better animal health status world wide]	+ [better animal health status will improve third countries economies] - [increased expenditure of EU in external aid]	=

TABLE 3. HOW DOES OPTION 2 SCORES IN RELATION TO THE UNDERLYING PRINCIPLES

UNDERLYING PRINCIPLES ACTIONS	BETER REGULATION	COMMUNICATION AND PARTNERSHIP
Promoting best practices	+ [will improve animal disease prevention and cover the gaps of the existing legal framework without issuing more legislation]	+ [guidelines will help stakeholders to understand good farming practices]
Improve communication and partnership towards stakeholders	+ [will allow discussions with stakeholders at an early stage of the legislative process] + [avoiding taking disproportionate measures by better understanding of risks by consumers]	+
Cooperation and technical assistance to third countries	=	=
Stimulating Innovation, Science and Research	=	=
Enforcement issues at MS level	=	=

8.3. Option 3: A new multi-faceted Animal Health Strategy based on elements of option 2 plus a new horizontal legal framework, the development of an efficient cost and responsibilities sharing scheme, an export strategy at EU level and the implementation of electronic means for animal identification and certification

8.3.1. General considerations

This option encompasses actions that imply deeper impacts and will need to be analysed in more details at a later stage before the specific initiatives are proposed. Therefore, this impact analysis has remained qualitative at this stage.

The actions proposed under this option will provide an improved regulatory framework for preventing and fighting against animal diseases including the financial aspects of the CAHP. As it also encompasses the actions described under option 2 it will cover all the possible identified gaps that can lead to crises such as those which occurred in the past, thus reducing the political risks for the Community. It will also provide the necessary tools to prevent as much as possible the occurrence of some of the scenarios described in the impact analysis of option 1 (e.g. pandemic caused by a mutation of the avian influenza virus) and will limit their impacts.

The budgetary implications of this option will be neutral overall. The actions outlined in this option will be as far as possible carried out within the resources available, shifting available resources to these priority areas. The additional studies that are planned to assess in more detail the implications of some of the actions proposed under this option (e.g. the cost-sharing scheme, the electronic identification and certification system) will also look at possible budgetary implications and the impacts on developing countries.

The following elements will contribute to **simplify the current EU Animal Health Framework**:

- Guidelines on best practice at farms for some issues will help to improve animal health status in the EU without issuing more legislation
- Simplification of the EU animal health legal framework from more than 300 pieces of legislation to a much reduced number of legal acts.
- Implementation of electronic animal identification and certification will contribute to simplify procedures for animal movement and intra-community trade.
- Implementation an EU harmonised Cost Sharing Schemes will simplify rules on financial compensation for animal diseases.

8.3.2. *The introduction of a new legal framework*

- **Social impacts**
 - This option will decrease the administrative burden for national and regional administrations as well as agricultural holdings through a simplified community animal health legal framework (from more than 300 legislative acts to a much reduced number of legal acts). This single regulatory framework will provide increased clarity in the interpretation and application of the legal provisions
 - A policy focused on prevention will decrease the negative social and economic impacts of animal diseases.

- This option will better clarify the roles and responsibilities of all the parties involved in animal health
 - Prioritisation of EU actions will lead to a more efficient use of resources and better achievement of targets with regards protection of public and animal health
 - A risk-based approach to border inspections will improve detection of consignments which could represent a threat for the EU animal or public health and to target illegal trade.
- **Economic impacts**
 - A clear setting of objectives will help to prioritise actions and will lead to a better use and allocation of EU financial and human resources.
 - A better control on imports will help to prevent the introduction of exotic diseases in the EU minimising losses due to animal disease outbreaks.
 - **Environmental impacts**
 - A preventive policy approach would lead to reduce the incidence of crisis and therefore their negative impacts on the environment.
- ✓ Adopting electronic systems for animal movement and animal identification
- **Social impacts**
 - The implementation of compatible electronic systems would lead to a better management of agricultural holdings
 - It will have a positive impact on public health and food safety through the achievement of better traceability of animals and animal products.
 - **Economic impacts**
 - In the short term, the implementation of electronic animal identification is linked to additional costs for operators. However, it also has clear benefits. The multi-purpose use of electronic identification systems is an important incentive for the farming industry and hence facilitates implementation of traceability rules.
 - Despite issues relating to the compatibility of national animal identification databases, the adoption of an integrated electronic animal identification and certification at EU level will help to apply common procedures and at the end to decrease administrative burden for traders.

- **Environmental impacts**

- Electronic animal identification will have as a consequence an increase of the volume of electronic waste.

It has to be noted that an impact assessment on the implementation of electronic means for animal identification of seeps and goats is currently been carried out and the same will be carried out for the introduction of electronic identification in other species in the future.

8.3.3. *A possible new export strategy at EU level*

- A common export Strategy at EU level will maximise the EU export potential thus improving economic growth and competitiveness.
- The EU Export Strategy will contribute to guarantee the integrity of the Single Market from unacceptable demands from third countries and therefore it will also contribute to promote EU's overall interests.
- Combined EU and Member States efforts will help to better tackle SPS-based barriers ensuring a fair competition of traders.

8.3.4. *Possibility of developing an efficient cost and responsibility sharing scheme*

- **Social impacts**

- Cost-sharing schemes (CSS) will improve animal disease prevention by promoting bio-security standards that are higher than legal standards.
- The implementation of CSS will encourage preventive behaviour by stakeholders by for example offering a price reduction on insurance given to farmers that have implemented bio-security measures.
- Fair competition among operators will be ensured as contributions to the cost-sharing scheme will be based on the individual risk (ex: number of animals, types of animals, regional factors, etc) and this will promote more efficient production systems.
- Compensation rules of a cost-sharing system for the compensation of operators require a certain level of complexity to ensure that operators with infected herds are not better or worse off than other operators. Member States and Community rules for financial support to a cost-sharing scheme, however, does not need to reflect this complexity and will be designed as simply as possible to reduce administrative burden as current rules are quite complex as mentioned previously. Rules for public financial support to cost-sharing schemes will be designed in a simple and transparent manner. Defining simple rules for public co-financing reduces the administrative burden, increases accountability and minimises the time required for processing requests.

- An efficient CSS will transfer financial risks associated to animal diseases away from farmers fulfilling insurance. This will in turn increase predictability of losses for them.
 - The implementation of cost-sharing schemes would possibly only be compulsory for diseases of high-EU relevance, thus allowing the EU to focus on the fight and prevention of these diseases. For other diseases for which public intervention is not deemed necessary, but that can also undermine farmers' revenue, farmers can turn to the private insurance market.
 - The implementation of a harmonised CSS at EU level will ensure that farmers across the EU have an equal access to financial schemes to cover animal disease losses as currently it currently depends on the Member States' situation.
 - More efficient production systems will help to improve the rural economy, prevent depopulation and unemployment in rural areas and strengthen the role of farming as a platform for economic diversification in rural communities.
- **Economic impacts**
 - Contributions by farmers to CSS may increase their costs (especially for those with higher risks of suffering from an animal disease outbreak) but it will reduce the overall costs borne by the society (taxpayers) as farmers will have an increased self-interest in avoiding high-risk behaviours.
 - The implementation of CSS also seeks to reduce the unpredictability and risks for the EU budget and Member States budgets.
 - The implementation of CSS would allow to focus state support on market failure and the provision of the public good "animal health".
 - **Environmental impacts**
 - Transfers of EU funds from high risk (high density areas) to low risk areas (low density areas) will contribute to an increase in production in the latter and thus will decrease adverse environmental impacts of intensive animal production in such regions (soil erosion and changes in soil structure, water pollution but also air quality).

TABLE 4. HOW DOES OPTION 3 SCORES FOR ACHIEVING GENERAL OBJECTIVES

GENERAL OBJECTIVES / ACTIONS	High level of public health	Economic growth and competitiveness	Good farming practices
Introduction of a new horizontal legal framework			
<ul style="list-style-type: none"> Better risk-based approach to border inspections 	+ [better prevention of introduction of exotic animal diseases]	+ [less losses due to outbreaks of exotic animal diseases]	=
<ul style="list-style-type: none"> Prioritisation of actions 	+ [will help to focus on animal diseases of high EU relevance, including zoonoses]	+ [better allocation of resources to fight against animal diseases]	= []
<ul style="list-style-type: none"> Improved emergency preparedness 	+ [better response to crises]	+ [less losses due to animal disease outbreaks]	=
<ul style="list-style-type: none"> Adopting integrated electronic systems for EU procedures applied in animal movement and identification 	+ [better traceability of animals]	+ [less administrative burden for operators]	=
Possibility of developing an efficient cost and responsibility sharing scheme based on a revision of the financial instrument	+ [will provide incentives for prevention of animal diseases including zoonoses]	+ [budget stability for the EU and Member States]	+ [will provide incentives for implementing best farming practices by operators]
Export strategy at EU level	=	+ [better export performance for EU operators]	=

TABLE 5. HOW DOES OPTION 3 SCORES IN RELATION TO THE UNDERLYING PRINCIPLES

<div style="text-align: center;">UNDERLYING PRINCIPLES</div> <div style="text-align: left;">ACTIONS</div>	BETER REGULATION	COMMUNICATION AND PARTNERSHIP
Introduction of new horizontal legal framework	+ [Will simplify existing legislation decreasing administrative burden for operators] + [Will simplify procedures for animal movement]	Better understanding by operators of animal health legal framework
Possibility of developing an efficient cost and responsibility sharing scheme based on a revision of the financial instrument	+ [Will simplify rules for financial compensation]	+ [Will establish communication mechanisms during animal disease-crises]
Export strategy at EU level	=	+ [Will improve communication mechanisms towards third countries]

9. HOW DO THE OPTIONS COMPARE

Options	Option 1 No change	Option 2 A "Soft" Animal Health Strategy	Option 3 A new multi-faceted Animal Health Strategy
<p>General Objectives</p> <p>Ensure a high level of public health and food safety by reducing the incidence of zoonoses in humans and biological and chemical risks.</p>	<p>= o -</p>	<p>+ [Will increase level of public health through better implementation of rules at Member State level]</p> <p>+ [Will reduce incidence of animal diseases through a better implementation of rules at MS level and the implementation of best practices including biosecurity measures by stakeholders]</p> <p>- [Cooperation Technical assistance to third countries to the EU will improve animal health status world wide but could involve considerable expenditure]</p> <p>+ [Better diagnosis of animal diseases through an improved performance of CRLs.]</p> <p>+ [New tools to fight against animal diseases through innovation and research]</p>	<p>+ [Prioritisation of actions focusing on diseases of high EU relevance for public health].</p> <p>+ [Improved food safety trough better traceability of animal movements (electronic ID and certification)]</p> <p>+ [Better prevention (including incentives for stakeholders), integrated risk management strategy (better biosecurity at farms, at borders on animal movement, better surveillance)].</p> <p>+ [Better fight against animal disease outbreaks (improved emergency preparedness)]</p>

<p>Improve Economic growth and competitiveness</p>	<p>= o -</p>	<p>+ [Improved competitiveness of farms through the implementation of best practices]</p> <p>+ [Improved competitiveness of animal health business through innovation science and research].</p> <p>+ [Help developing countries to export to the EU].</p> <p>- [Possible negative impact for EU producers]</p> <p>= [No impact on intra EU trade]</p>	<p>+ [Improved international competitiveness through a higher animal health status and export performance through a community approach for exports]</p> <p>+ [CSS will contribute to a reduced and more predictable public expenditure in the veterinary field].</p> <p>+ [Less disruption of trade due to animal diseases or public health threats by ensuring a high animal health status].</p>
<p>To promote farming practices which prevent the transmission of animal diseases, and comply with animal welfare standards whilst enabling sustainable development.</p>	<p>= o -</p>	<p>+ [Best practice will be encourage through non regulatory tools]</p> <p>+ [Better communication towards stakeholders will help to promote good practices].</p>	<p>+ [Single and clearer regulatory framework is better understand by stakeholders therefore they are in a better situation to put in place best practices]</p> <p>+ [Will force best practice assigning more responsibility to stakeholders and revising current financial compensation framework in the EU]</p> <p>+ [Management benefits trough compatible electronic identification systems].</p>

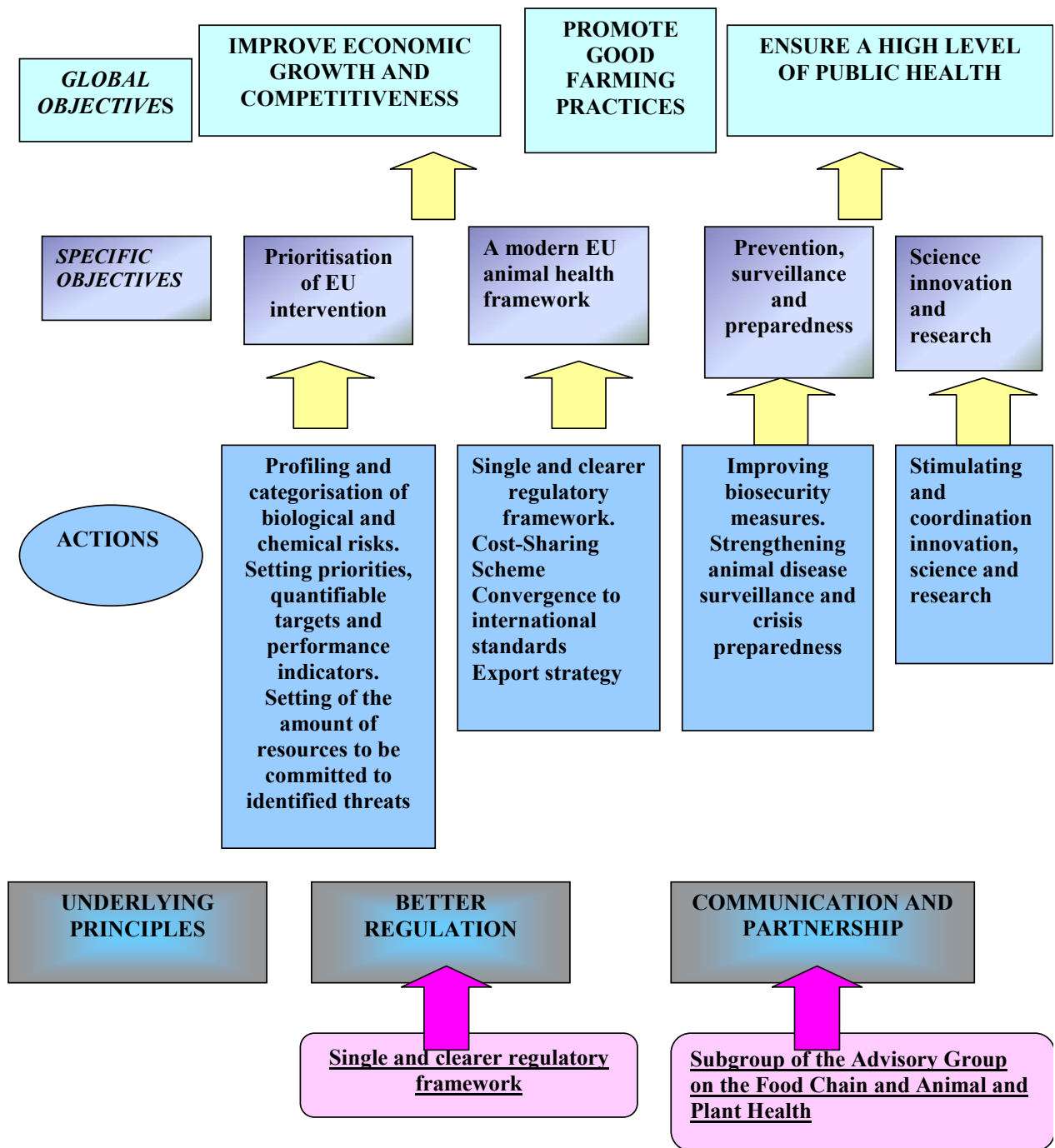
Specific Objectives			
Prioritisation of EU intervention		=	+ [By profiling and categorisation of biological and chemical risks, Setting of priorities, quantifiable targets and performance indicators, and Setting of the amount of resources to be committed to identified threats].
A modern EU animal health framework	= o -	=	+ [By setting up a single and clearer regulatory framework ensuring a firm commitment to high standards of public health, animal health and welfare, Developing an efficient cost and responsibility sharing schemes aiming at stabilising "animal health" EU budget, Influencing on and converging to international standards, and Ensuring that European companies have genuine access to export market].
Prevention, surveillance and preparedness	= o -	+ [By improving biosecurity measures at farm level, on animal movements and at borders]	+ [Strengthening EU animal disease surveillance and emergency preparedness]

Science, Innovation and Research	= o -	+ [By stimulating and coordinating innovation, science and research, hence contributing to a high level of public health and to the competitiveness of EU animal health businesses].	
To support a more predictable public expenditure	= o -	= o -	+ [The establishment of Cost and responsibility sharing scheme will help to reduce and predict public expenditure on animal diseases]

The preferred option

Measured against the baseline scenario (option 1) the Commission proposes the set of actions under option 3 to respond to the proposed objectives. The Animal Health and Welfare Law will be of paramount importance to ensure the right balance of responsibilities of all actors involved in the implementation of the New Animal Health Strategy and will promote a policy focused on prevention and involving all stakeholders. As regulation is not enough to ensure efficient animal health management at farm level, the use of non-regulatory tools will be used to complement legislation.

The actions proposed under option 3 will need further assessment as explained in Annex II of this document.



10. MONITORING AND EVALUATION

In order to ensure that the EU action plan is implemented in line with the priorities and policy actions outlined in the Strategy and summarised in this document, the Commission will monitor its progress regularly.

Adequate performance targets and performance indicators will be identified and improved over time as better veterinary and other data becomes available. They will cover both hard indicators²³ of animal health or disease such as disease prevalence and soft indicators²⁴ tracking the confidence, expectations and perceptions of the Member States and EU stakeholders

General evaluations of the performance of the strategy: intermediate report on progress (2010) and final report on implementation of the action plan (2013) will be carried out.

In addition, ad-hoc evaluations may also be carried out in cases in case of emergency or major crisis, as this may help to identify any weakness in the system in place.

Soft indicators will be collected through surveys and interviews with stakeholders to assess their level of satisfaction with the performance of the action plan. This consultation will be carried out as a part of the intermediate and final evaluation of the action plan mentioned above.

In addition, frequent consultation will be carried out on level of satisfaction of competent authorities of Member States and stakeholders.

²³ Hard indicators are those tangible, concrete and objective, generally expressed in absolute value.

²⁴ Soft indicators are those untangible, not concrete, subjective and matter of degree rather than absolute.

HARD INDICATORS

OBJECTIVES	INDICATORS	DATA COLLECTION (Source)	FREQUENCY OF DATA COLLECTION
Public health and food safety	Reduced incidence main zoonoses in humans.	EFSA (annual report on zoonotic agents)	Yearly
	Incidence and prevalence of the disease	Member states data submitted to the Commission	Yearly
	Overall reduction of number of outbreaks of exotic diseases and reduction of the affected areas when an outbreak occurs	ADNS, Blue Tongue-net, Avian Influenza database	Variable (real-time)
	Overall reduction of costs to cover losses due to animal diseases compared with the previous period	Financial Unit DG SANCO	Yearly, though analysis will be carried out after the period (2007-2013)
Ensure free circulation of live animals and animal products	Intra-community trade figures	EUROSTAT	Yearly, though analysis will be carried out after the period (2007-2013)
Economic growth and competitiveness	Economic indicators (agricultural income)	EUROSTAT	Yearly
	Export figures on live animals and animal products	EUROSTAT	Yearly analysis will be carried out after the period (2007-2013)
Promotion of good practices at farms	Number of guidelines.	Stakeholders	Yearly
	Number of farms with biosecurity measures	Cost Sharing Scheme (possible)	After the period 2007-2013

ANNEX I

ACRONYMS

ADNS: Animal Disease Notification System

AMP: Annual Management Plan

ANIMO: ANImal MOves Management System

BIPs: Border Inspection Posts

BSE: Bovine Spongiform Encephalopathy

CAHP: Community Animal Health Policy

CAP: Common Agricultural Policy

CRLs: Community Reference Laboratories

CSF: Classical Swine Fever

CVO: Chief Veterinary Officer

DG: Directorate General

ECDC: European Centre for Disease Prevention and Control

EFSA: European Food Safety Authority

EMA: European Medicines Agency

ENTR (DG): Enterprise and Industry Directorate General

ETPGAH: European Technology Platform on Global AH

FAO: Food & Agriculture Organisation

FMD: Foot and Mouth Disease

FP: Framework Programme (DG Research)

FVO: Food and Veterinary Office

HPAI: Highly Pathogenic Avian Influenza

MS: Member State/s

NGOs: Non-Governmental Organisations

OIE: Organisation Mondiale de la Santé Animale – World Organisation for Animal Health

OLAF: European Anti-Fraud Office

SANCO (DG): Health and Consumer Protection Directorate General

SCFCAH: Standing Committee on the Food Chain and Animal Health

SOE: semen, ova and embryos

TAXUD (DG): DG Taxation and Customs Union DG

TRACES: TRAdE Control and Expert System

TSE: Transmissible Spongiform Encephalopathy.

WTO-SPS: World Trade Organisation - Sanitary & Phytosanitary Agreement

ANNEX II

FUTURE EVALUATIONS

COST-SHARING SCHEME

A further feasibility study of the possible implementation of harmonised cost-sharing schemes for livestock diseases will be carried out. This study will be carried out during 2008-2009.

EU Standard Cost Model to measure decrease of administrative burden will be used in this study (Annex 10 of the Impact Assessment Guidelines).

EVALUATION OF THE COMMUNITY REFERENCE LABORATORIES

An evaluation of the activities of CRLS' will be carried out to assess their performance and propose options to improve it. This evaluation will be carried out in 2007-2008.

CONVERGENCE OF EU LEGISLATION TO OIE/CODEX ALIMENTARIUS RECOMMENDATIONS/STANDARDS

Analysis of the differences found in the comparative study for import requirements and eventual request of scientific advice will be carried out to establish where further convergence is to be sought. A comparative study for diagnostic techniques needs to be prepared in 2007-2008.

PROFILING AND CATEGORISATION OF ANIMAL DISEASES, WELFARE, BIOLOGICAL AND CHEMICAL RISKS

Categorisation of animal diseases will be done according to certain criteria such as their animal and public health relevance and the need for EU coordinated action. The study will be carried out in 2007-2008.

ADOPTING INTEGRATED ELECTRONIC SYSTEMS FOR EU PROCEDURES APPLIED IN ANIMAL MOVEMENT AND IDENTIFICATION

A detailed technical feasibility study/impact assessment on this will be carried out. Work will start in 2008.

EU Standard Cost Model to measure decrease of administrative burden will be used in this study (Annex 10 of the Impact Assessment Guidelines).

ANNEX III

ANSWERS TO THE GENERAL SURVEY OF PART I OF THE EVALUATION

Identification data - Country		
Number of answers		%
Austria	5	4,39
Belgium	3	2,63
Cyprus	1	0,88
Czech Republic	2	1,75
Denmark	2	1,75
Estonia	2	1,75
Finland	16	14,04
France	9	7,89
Germany	8	7,02
Greece	2	1,75
Hungary	3	2,63
Ireland	3	2,63
Italy	2	1,75
Latvia	0	0,00
Lithuania	2	1,75
Luxemburg	1	0,88
Malta	0	0,00
Netherlands	2	1,75
Poland	1	0,88
Portugal	0	0,00
Slovakia	1	0,88
Slovenia	2	1,75
Spain	4	3,51
Sweden	7	6,14
United Kingdom	6	5,26
Europe	29	25,44
International	1	0,88
Sum	114	100,00

Identification data – Type of organisation		
	Number of answers	%
DG SANCO	15	13,16
Other DG	5	4,39
Other EU institution	0	0,00
EU agency	0	0,00
Community Reference Laboratory	2	1,75
International organisation	1	0,88
EU association/federation	7	6,14
National laboratory/Veterinary institute/Research Institute	14	12,28
National industry representative	25	21,93
National consumer representative	3	2,63
Local/national authority (incl. vet. services)	34	29,82
Other	6	5,26
National farmer representative	2	1,75
Sum	114	100,00

Other:

Animal welfare representatives (2)

Semen center (1)

National Agency for Food Safety (1)

Wildlife representative (1)

Leavy board (1)

ANNEX IV

INTERVIEWS/MEETINGS FOR PART II OF THE EVALUATION

- **Interviews/meeting with European representatives**

CEA / AISAM Comité Européen des Assurances (two meetings) / Association Internationale des Sociétés d'Assurance Mutuelle

DG AGRI Directorate-General for Agriculture and Rural Development (two meetings)

Expert Workshop The workshop brought together experts from insurers, stakeholder organisations, cost-sharing schemes, the Commission, the European Parliament and the evaluation team

- **At MS level**

DEFRA Department for Environment, Food and Rural Affairs (two meetings)

GDV and two insurers Gesamtverband der Deutschen Versicherungswirtschaft (German Insurance Association) and two insurers (Uelzener Versicherung and Vereinigte Hagelversicherung)

Tierseuchenkassen Tierseuchenkasse Bayern and Nordrhein-Westfalen

Bundesländer Länder der Bundesrepublik Deutschland (Representatives of all federal states of the Federal Republic of Germany)

Tierseuchenkassen Tierseuchenkassen of federal states of the Federal Republic of Germany

Ministerie van LNV Ministerie van Landbouw, Natuur en Voedselkwaliteit (Dutch Ministry of Agriculture, Nature and Food Quality)

OVM Avipol BA Onderlinge Verzekerings Maatschappij (Mutual Insurance Company) Avipol B.A.

Product Boards for Livestock, Meat and Eggs (PVE)

Governing body of the Animal Health Funds, the Netherlands

LTO Nederland Land- en Tuinbouw Organisatie Nederland (Dutch Organisation for Agriculture and Horticulture)

Agroseguro La Agrupación Española de los Seguros Agrarios Combinados (The Spanish Grouping of the Combined Agrarian Insurances)

ENESA Entidad Estatal de Seguros Agrarios, (The State Organization for Agricultural Insurances)

Ministry of Agricultura Subdirección General de Sanidad Animal, Ministerio de Agricultura, Pesca y Alimentación

ANNEX V

RESULTS OF THE STAKEHOLDERS' SURVEY PRIORITISATION OF ACTIONS AND ERADICATION PROGRAMMES

What should be done in future at EU/MS level to ensure that the disease eradication and monitoring programmes contribute to improved animal health status in the Community?		
	Number of answers	%
Increase overall EU/MS funding	32	41,03
Decrease overall EU/MS funding	3	3,85
Re-define funding priorities	53	67,95
Improve the scope & targets/objectives of the programmes	56	71,79
Increase the use of vaccination	24	30,77
Increase the use of preventive actions, other than vaccination	64	82,05
Multi-annual funding	49	62,82
Other	5	6,41
Number of respondents	78	

Do you agree with the current prioritisation of diseases and budget per disease as targeted by the programmes?		
Prioritisation		
	Number of answers	%
Appropriate	33	57,89
Not appropriate	24	42,11
Sum	57	100,00
Do not know	22	

Budget		
	Number of answers	%
Appropriate	15	41,67
Too high	8	22,22
Too low	13	36,11
Sum	36	100,00
Do not know	40	

ANNEX VI

RESULTS OF THE STAKEHOLDERS' SURVEY. TRACEABILITY AND IDENTIFICATION

How should the EU traceability/identification rules be developed and improved in future to ensure effective animal health risk management?		
Answers		%
Increase overall funding for related measures	27	36,00
Maintain current level of overall funding	7	9,33
Decrease overall funding for related measures	1	1,33
Re-define funding priorities	20	26,67
Improve identification/traceability rules	29	38,67
Increase use of electronic identifiers for live animals	31	41,33
Improve the operation of national DBs for live animals	45	60,00
Improve the operation of Traces	43	57,33
Extent the scope of Traces	22	29,33
Synchronise national DBs for live animals with Traces	38	50,67
Merge the national DBs at EU level	14	18,67
Increase level of official controls	14	18,67
Decrease level of official controls	2	2,67
Increase administrative sanctions	20	26,67
Decrease administrative sanctions	3	4,00
Other	5	6,67

Number of respondents

75

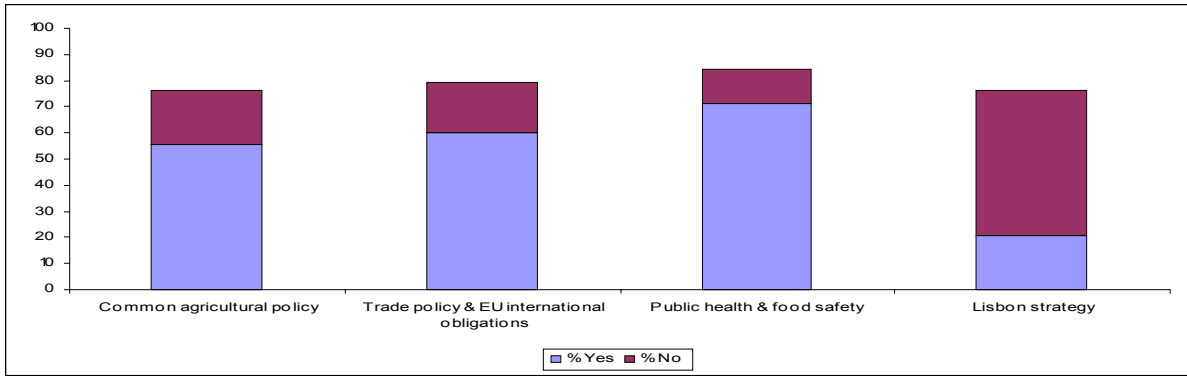
ANNEX VII

RESULTS OF THE STAKEHOLDERS' SURVEY CONSISTENCY OF THE CAHP

Do you think that the current CAHP is consistent with other European policies that are of relevance to animal health policy?

	Number of answers	%																					
<i>Common agricultural policy</i>																							
Yes	35	55,56																					
No	13	20,63																					
Sum	48																						
Do not know	15																						
<i>Trade policy & the EU international obligations</i>																							
Yes	38	60,32																					
No	12	19,05																					
Sum	50																						
Do not know	12																						
<i>Public health & food safety</i>																							
Yes	45	71,43																					
No	8	12,70																					
Sum	53																						
Do not know	10																						
<i>Lisbon strategy</i>																							
Yes	13	20,63																					
No	35	55,56																					
Sum	48																						
Do not know	43																						
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">% Yes</th> <th style="text-align: center;">% No</th> <th style="text-align: center;">N</th> </tr> </thead> <tbody> <tr> <td>Common agricultural policy</td> <td style="text-align: center;">55,56</td> <td style="text-align: center;">20,63</td> <td style="text-align: center;">48</td> </tr> <tr> <td>Trade policy & EU international obligations</td> <td style="text-align: center;">60,32</td> <td style="text-align: center;">19,05</td> <td style="text-align: center;">50,00</td> </tr> <tr> <td>Public health & food safety</td> <td style="text-align: center;">71,43</td> <td style="text-align: center;">12,70</td> <td style="text-align: center;">53,00</td> </tr> <tr> <td>Lisbon strategy</td> <td style="text-align: center;">20,63</td> <td style="text-align: center;">55,56</td> <td style="text-align: center;">48,00</td> </tr> </tbody> </table>					% Yes	% No	N	Common agricultural policy	55,56	20,63	48	Trade policy & EU international obligations	60,32	19,05	50,00	Public health & food safety	71,43	12,70	53,00	Lisbon strategy	20,63	55,56	48,00
	% Yes	% No	N																				
Common agricultural policy	55,56	20,63	48																				
Trade policy & EU international obligations	60,32	19,05	50,00																				
Public health & food safety	71,43	12,70	53,00																				
Lisbon strategy	20,63	55,56	48,00																				

<i>Number of respondents</i>	63
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ANNEX VIII

**RESULTS OF THE STAKEHOLDERS' SURVEY STAKEHOLDERS
SATISFACTION AND POLICY COHERENCE**

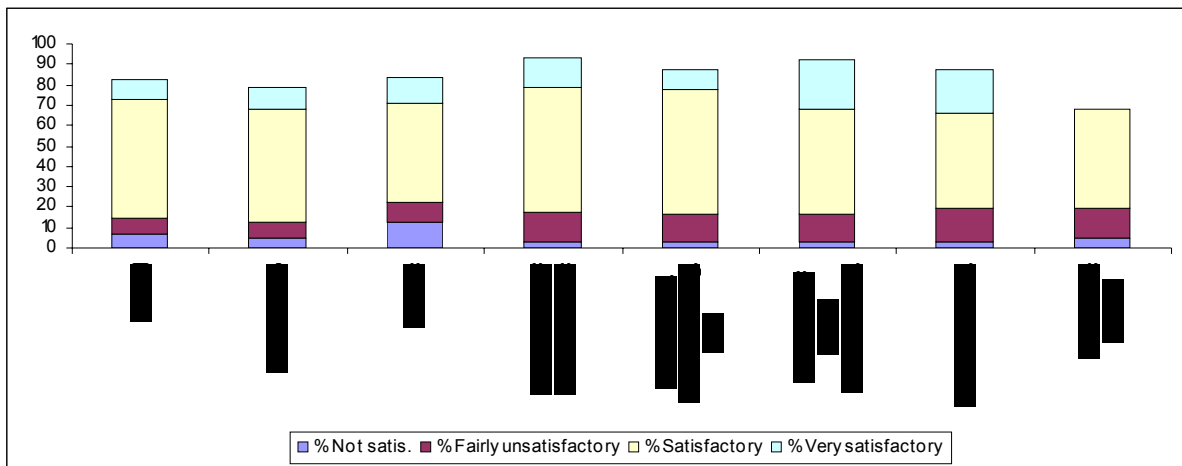
COMMISSION INFORMATION AND DISSEMINATION ACTIVITY

How do you assess the Commission's information and dissemination activity, in terms of keeping your organisation informed of the various measures in the following Community Animal Health (CAHP) areas?

	<i>% Not satis.</i>	<i>% Fairly unsatisfactory</i>	<i>% Satisfactory</i>	<i>% Very satisfactory</i>	<i>N</i>
Overall	6,45	8,06	58,06	9,68	51
Intra EU trade	4,84	8,06	54,84	11,29	49
Imports	12,90	9,68	48,39	12,90	52
Control/erad. of animal diseases	3,23	14,52	61,29	14,52	58
Monit. of exo. dis. & new emerg. risks	3,23	12,90	61,29	9,68	54
Protection of human health/food saf.	3,23	12,90	51,61	24,19	57
Traceability/ident.	3,23	16,13	46,77	20,97	54
Research & science	4,84	14,52	48,39	0,00	42

Number of respondents

62



ANNEX IX

MANAGEMENT OF THE CAHP

What should be done in the future to improve the management of the Community Animal Health Policy?

Answers		%
Improve the EC monitoring system by using more feedback	30	40,54
Improve EC internal communications	18	24,32
Improve dialogue with MS/EU institutions/stakeholders	37	50,00
Change role of FVO	14	18,92
Other	6	8,11
Number of respondents	74	

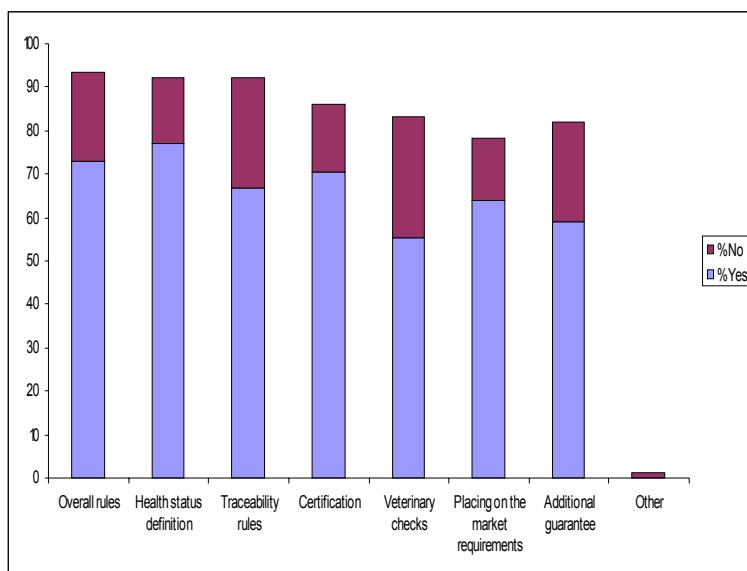
ANNEX X

RESULTS OF THE STAKEHOLDERS' SURVEY INTRA-EU TRADE

EFFECTIVENESS OF RULES

During the last 10 years, have the animal health rules for intra-Community trade been effective in a) contributing to the prevention of animal disease spread caused by movements of animals and animal products, and b) ensuring the free circulation of live animals, SOE and animal products within the EU?

	% Yes	% No	N
Overall rules	73,08	20,51	73
Health status definition	76,92	15,38	72
Traceability rules	66,67	25,64	72
Certification	70,51	15,38	67
Veterinary checks	55,13	28,21	65
Placing on the market requirements	64,10	14,10	61
Additional guarantee	58,97	23,08	64
Other	0,00	1,28	1
Number of respondents:			78



During the last 10 years, has the amount of EU funding (e.g. ANIMO system, training) made available for measures related to animal health rules for intra-Community trade been appropriate in addressing the needs?

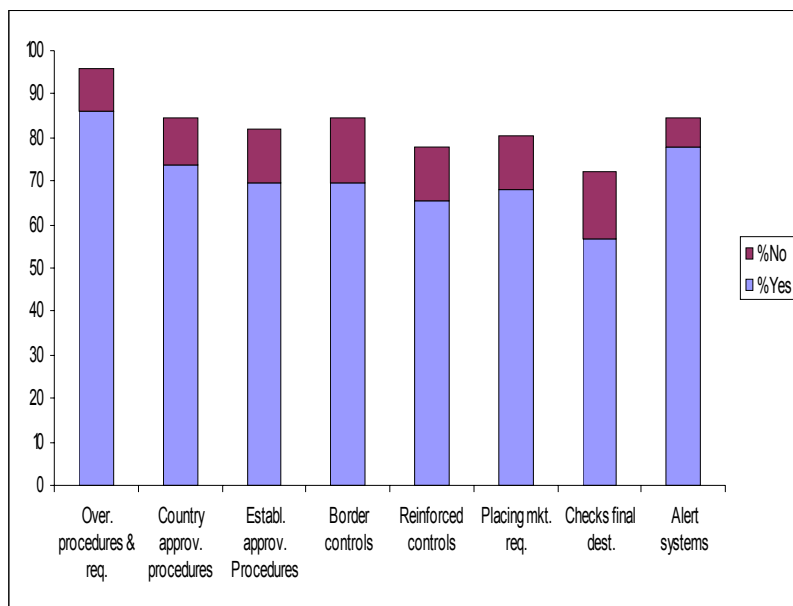
	Number of answers	%
Not at all	1	1,72
Not much	9	15,52
Partly	42	72,41
Fully	6	10,34
Sum	58	100,00
Do not know	20	

ANNEX XI

RESULTS OF THE STAKEHOLDERS' SURVEY IMPORTS FROM THIRD COUNTRIES

LEGAL (COMERCIAL IMPORTS)

During the last 10 years, have the animal health procedures and requirements for commercial imports of live animals/SOE/animal products been effective in preventing the entry of a) infectious diseases, and b) foodborne diseases into the EU?			
	<i>% Yes</i>	<i>% No</i>	<i>N</i>
Over. procedures & req.	86,11	9,72	69
Country approv. procedures	73,61	11,11	61
Establ. approv. Procedures	69,44	12,50	59
Border controls	69,44	15,28	61
Reinforced controls	65,28	12,50	56
Placing mkt. req.	68,06	12,50	58
Checks final dest.	56,94	15,28	52
Alert systems	77,78	6,94	61
<i>Number of respondents</i>			<i>72</i>



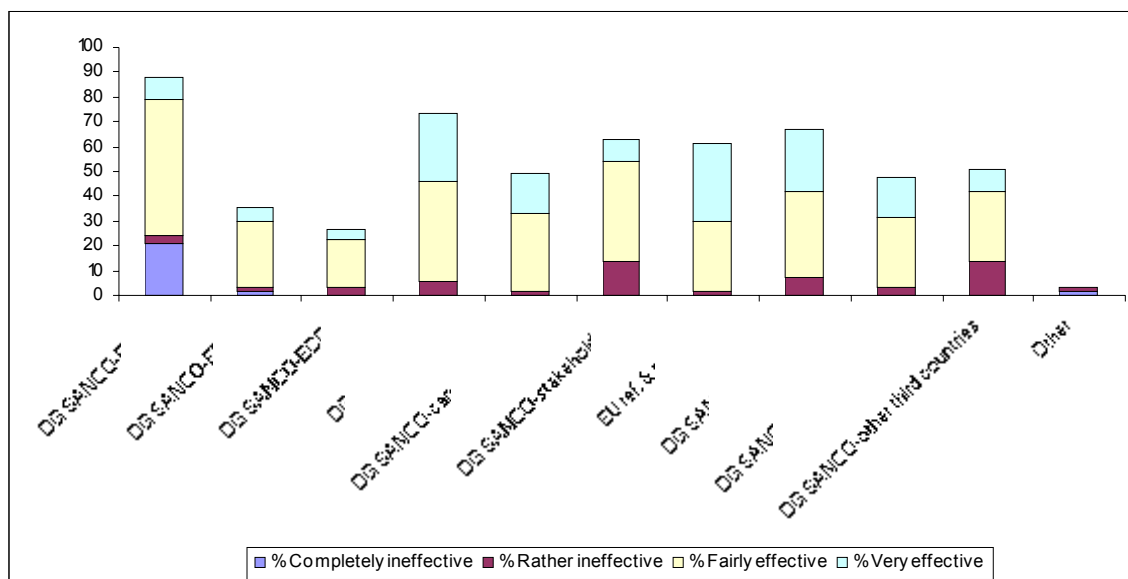
ILLEGAL IMPORTS

During the last 10 years, has the legislative measures been effective in preventing the illegal imports of live animals, SOE and animal products? Have the measures in place been satisfactorily enforced?			
	<i>% Yes</i>	<i>% No</i>	<i>N</i>
Border controls	38,10	55,56	59
Veterinary checks	41,27	50,79	58
Custom information system	30,16	49,21	50
Police activity	28,57	34,92	40
Other	0,00	1,59	1
<i>Number of respondents:</i>		<i>63</i>	

ANNEX XII

RESULTS OF THE STAKEHOLDERS' SURVEY COOPERATION WITH OTHER INSTITUTIONS

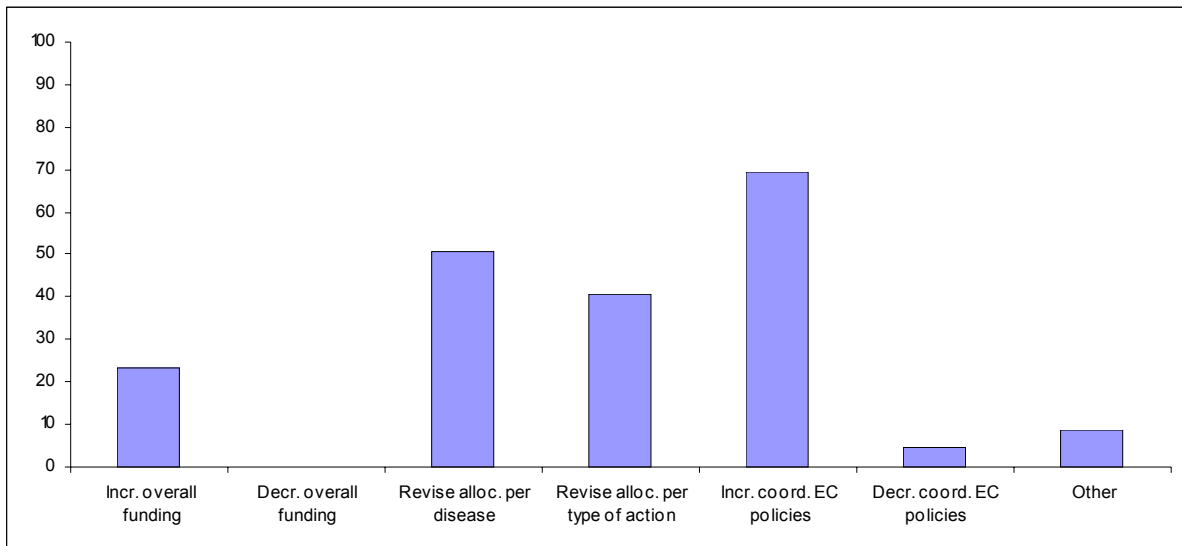
CO-OPERATION BETWEEN COMMISSION, MEMBER STATES & OTHER STAKEHOLDERS/ORGANISATIONS					
How do you assess the co-operation between the following organisations that are involved in the development and implementation of the CAHP?					
	% Completely ineffective	% Rather ineffective	% Fairly effective	% Very effective	N
DG SANCO-EFSA	21,05	3,51	54,39	8,77	50
DG SANCO-EMEA	1,75	1,75	26,32	5,26	20
DG SANCO-ECDC	0,00	3,51	19,30	3,51	15
DG SANCO-MS	0,00	5,26	40,35	28,07	42
DG SANCO-cand. countries	0,00	1,75	31,58	15,79	28
DG SANCO-stakeholders	0,00	14,04	40,35	8,77	36
EU ref. & nat. labs	0,00	1,75	28,07	31,58	35
DG SANCO-inter. org.	0,00	7,02	35,09	24,56	38
DG SANCO-neigh. countries	0,00	3,51	28,07	15,79	27
DG SANCO-other third countries	0,00	14,04	28,07	8,77	29
Other	1,75	1,75	0,00	0,00	2
Number of respondents	57				



ANNEX XIII

RESULTS OF THE STAKEHOLDERS' SURVEY HUMAN HEALTH, FOOD SAFETY FOOD CAHIN AND CONSUMER CONFIDENCE

What should be done in the future to improve the level of protection (human health or food safety) provided?		
Answers		%
Increase overall funding for existing measures	16	23,19
Decrease overall funding for existing measures	0	0,00
Revise allocation per disease	35	50,72
Revise allocation per type of action	28	40,58
Increase co-ordination among EC policies	48	69,57
Decrease co-ordination among EC policies	3	4,35
Other	6	8,70
Number of respondents	69	



ANNEX XIV

RESULTS OF THE STAKEHOLDERS' SURVEY COST-SHARING

In the future, farmers might take more responsibilities in prevention and resolution of animal health crisis through developing EU-wide systems for cost-sharing, e.g. through insurance of livestock diseases or other forms of financial schemes to completely or partially replace other types of emergency measures. Do you think that the introduction of such a system would be advantageous?

Number of answers		%
Yes	27	69,23
No	12	30,77
Sum	39	100,00
Do not know	6	

If an EU-wide system for cost-sharing was to be introduced, should it be fully harmonised?

Number of answers		%
Yes	19	44,19
No	24	55,81
Sum	43	100,00
Do not know	8	

During the last 10 years, have the EU funds been appropriate to addressing the needs of the overall CAHP?

Appropriate allocation of EU funds

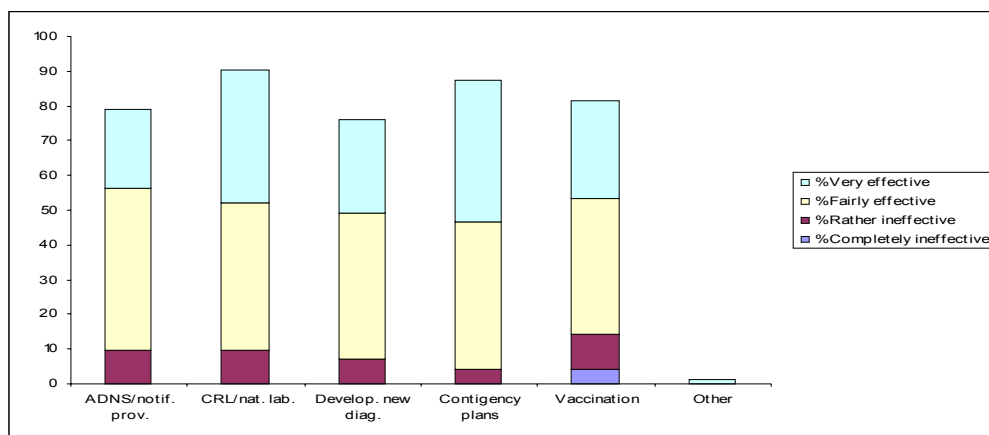
Not at all	1	3,70
Not much	6	22,22
Partly	11	40,74
Fully	8	29,63
Sum	26	
Do not know	24	

<i>Number of respondents</i>	27
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ANNEX XV

RESULTS OF THE STAKEHOLDERS' SURVEY CONTROL AND SURVEILLANCE OF ANIMAL DISEASES

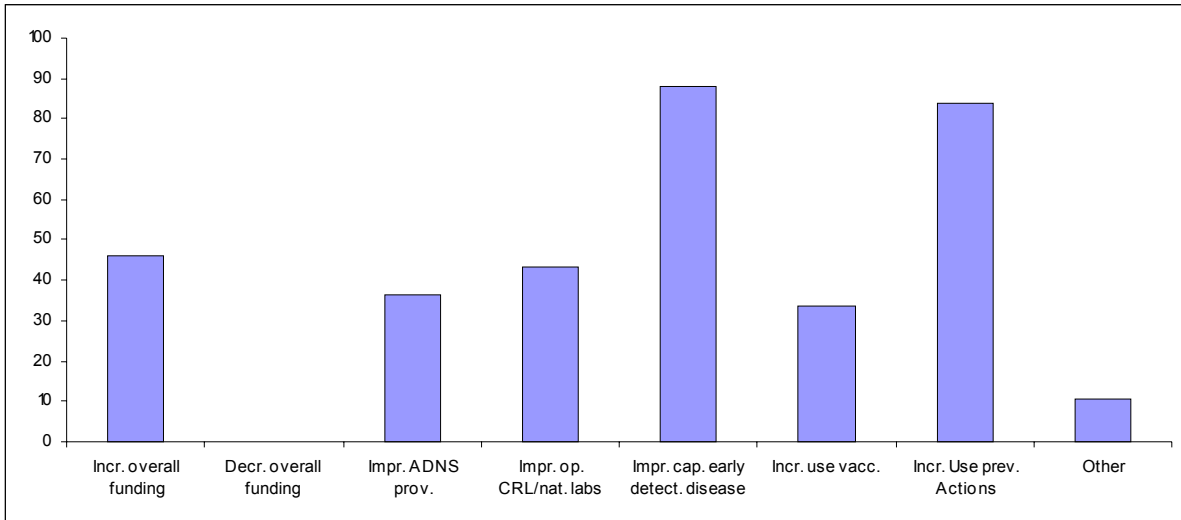
How effective have the following been in preventing the introduction and/or controlling the spread of exotic diseases?					
	<i>% Completely ineffective</i>	<i>% Rather ineffective</i>	<i>% Fairly effective</i>	<i>% Very effective</i>	<i>N</i>
ADNS/notif. prov.	0,00	9,86	46,48	22,54	56
CRL/nat. lab.	0,00	9,86	42,25	38,03	64
Develop. new diag.	0,00	7,04	42,25	26,76	54
Contingency plans	0,00	4,23	42,25	40,85	62
Vaccination	4,23	9,86	39,44	28,17	58
Other	0,00	0,00	0,00	1,41	1
<i>Number of respondents</i>					71



During the last 10 years, has the amount of EU funding made available been appropriate in addressing the needs?		
Number of answers		%
Not at all	1	2,22
Not much	6	13,33
Partly	26	57,78
Fully	12	26,67
Sum	45	100,00
Do not know	28	

What should be done in future at EU/MS level to ensure that the measures contribute to containing the spread of exotic diseases in the Community?

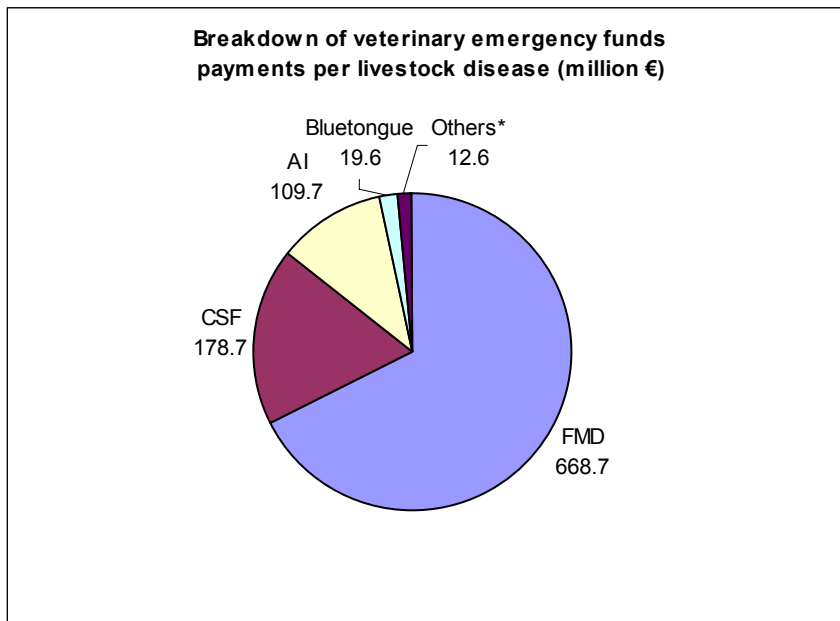
Incr. overall funding	45,95
Decr. overall funding	0,00
Impr. ADNS prov.	36,49
Impr. op. CRL/nat. labs	43,24
Impr. cap. early detect. disease	87,84
Incr. use vacc.	33,78
Incr. Use prev. Actions	83,78
Other	10,81



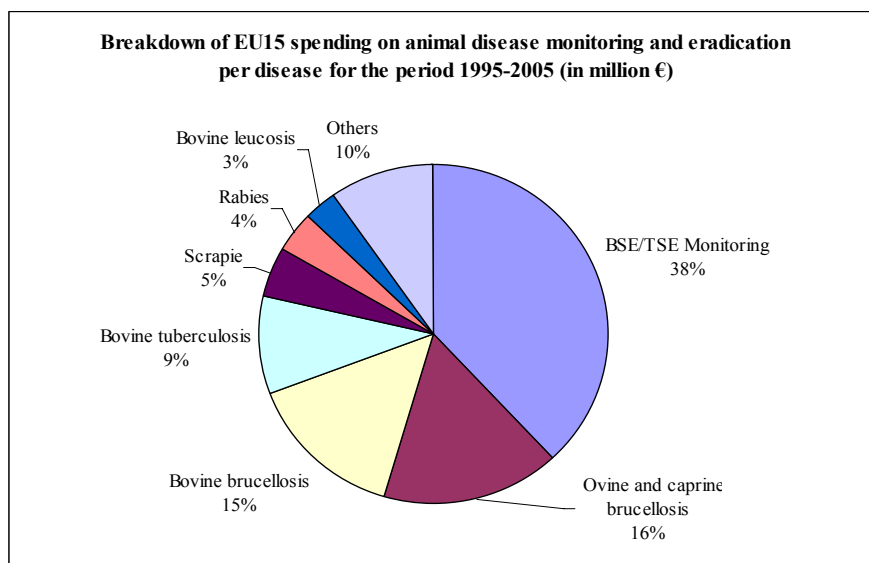
ANNEX XVI

COMMUNITY EXPENDITURE ON EMERGENCY MEASURES

Year	CSF	FMD	AI	Other diseases	Total
1995	No data	No data	No data	No data	34,480,000
1996	No data	No data	No data	No data	2,350,000
1997	42,548,958	1,750,000	0	5,503,199	49,802,157
1998	38,523,284	0	0	2,476,715	40,999,999
1999	18,077,535	0	0	2,107,465	20,184,999
2000	47,053,494	0	13,790,015	0	60,843,509
2001	6,279,224	0	17,001,072	731,147	24,011,443
2002	11,418,920	400,448,883	0	12,456,105	424,323,908
2003	1,782,493	67,821,327	4,763,797	469,419	74,837,036
2004	8,923,019	78,733,804	55,916,517	5,137,362	148,710,703
2005	4,159,354	119,961,100	18,227,041	3,297,091	145,644,586
TOTAL costs	178,766,281	668,715,114	109,698,442	32,178,503	1,026,188,340



Categories	Costs (million GBP)	Costs (million €)*
Disease outbreak losses		
Compensation paid to farmers for animals culled or items seized or destroyed	1,158	1,843
Payments to farmers for animals slaughtered for welfare reasons	211	336
Haulage, disposal and additional building work	375	597
Cleansing and disinfecting	304	484
Extra human resource costs	236	376
Administration of the Livestock Welfare Disposal Scheme, including operating costs, disposal charges and slaughter fees	164	261
Payments to other Government departments, local authorities, agencies and others	89	142
Miscellaneous, including serology, slaughtermen, valuers, equipment and vaccine	81	129
Claims against the Department	30	48
Cost of the Department's and other government departments' staff time	100	159
Support measures for businesses affected by the outbreak	282	449
Losses agricultural producers	355	565
Sub-total disease outbreak losses	3,385	5,389
Losses other sectors		
Losses food industry (auction markets, abattoirs, processors, and hauliers)	170	271
Indirect impact on the agricultural supply sector	85	135
Losses to tourism industry	4,900	7,799
Sub-total losses other sectors	5,155	8,205
TOTAL costs	8,540	13,594



ANNEX XVII

ECONOMIC DATA FOOD INDUSTRY AND RURAL AREAS

Table 1. Economic Development of Food Industry Source Eurostat

Measurement	Gross Value Added in food industry		Share of Gross Value Added in food industry	
	National Accounts		National Accounts	
Year	2003		2003	
Unit	Million euros		%	
Country				
Belgium	5.827		2,4	
Czech Republic	2.557		3,4	
Denmark	4.394		2,7	
Germany	37.950		1,9	
Estonia	n.a.		n.a.	
Greece	3.528		2,5	
Spain	15.856		2,3	
France	37.366	2002	2,7	2002
Ireland	5.834		4,7	
Italy	26.518		2,2	
Cyprus	n.a.		n.a.	
Latvia	239		2,7	
Lithuania	592		4,0	
Luxembourg	242		0,9	
Hungary	2.058		3,3	
Malta	118		3,1	
Netherlands	11.086		2,6	
Austria	3.666		1,8	
Poland	n.a.	2002	n.a.	
Portugal	2.579		2,2	
Slovenia	572		2,7	
Slovakia	604		2,3	
Finland	2.109		1,7	
Sweden	4.029	2002	1,8	2002
United Kingdom	31.395		2,1	
Bulgaria	n.a.		n.a.	
Romania	3.386	2001	8,3	2001
EU25	194.840		2,2	
EU15	183.491		2,2	

Measurement	Employment development in food industry		Share of Employment in food industry	
Source			Eurostat	
	National Accounts		National Accounts	
Year	2003		2003	
Unit	Thousands people employed		%	
Country				
Belgium	96,0		2,3	
Czech Republic	145,0		3,0	
Denmark	77,0		2,8	
Germany	978,0		2,5	
Estonia	n.a.		n.a.	
Greece	124,0		3,2	
Spain	421,0		2,4	
France	591,0		2,4	
Ireland	58,0		3,2	
Italy	504,0		2,1	
Cyprus	n.a.		n.a.	
Latvia	n.a.		n.a.	
Lithuania	n.a.		n.a.	
Luxembourg	4,0		1,4	
Hungary	151,0		3,9	
Malta	n.a.		n.a.	
Netherlands	150,0		1,8	
Austria	83,0		2,1	
Poland	472,0	2002	3,2	2002
Portugal	165,0	2002	3,3	2002
Slovenia	22,0		2,4	
Slovakia	59,0		2,9	
Finland	42,0		1,8	
Sweden	63,0	2002	1,4	2002
United Kingdom	524,0		1,9	
Bulgaria	n.a.		n.a.	
Romania	n.a.		n.a.	
EU25	4.639,0		2,3	
EU15	3.808,0		2,2	
NMS10	n.a.		n.a.	
EU27	n.a.		n.a.	