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CAHP evaluation: main conclusions & options for the future

by the

Food Chain Evaluation Consortium - FCEC
(Agra CEAS Consulting - Arcadia International - Bureau van Dijk - Civic Consulting)
CAHP evaluation
(June 2005- July 2006)

Objectives:

• to assess the performance of the CAHP during the past decade;
• to serve as basis for reflection on future policy options ➔ Commission's preparation of an Animal Health Strategy for 2007-13
CAHP evaluation

Extensive stakeholder consultation through:

- a wide EU survey (600+ recipients; 100+ respondents)
- separate survey of 34 third countries
- specific survey of insurers & 3 MS case-studies on cost-sharing schemes
- over 100 interviews with relevant authorities and stakeholders at EU and MS level (7 MS)
CAHP evaluation

General comments:

• Complexity and breadth of subject matter
• Interdependence of issues
• Range of interests and stakeholders (civil/legal)
CAHP evaluation

Themes covered:

- Intra-Community trade
- EU control and eradication programmes
- Community import regime
- Disease monitoring and surveillance
- Traceability
- Research and scientific advice
- Horizontal (cross-cutting) issues e.g. protection of public health
- Financial aspects

Key overall messages
CAHP evaluation: key messages /1

- During 1995-2004, CAHP increasingly successful:
  - Although mainly crisis-driven, positive results: e.g. reduction in prevalence for key animal diseases.
  - Improved structure for response to crises, following the CSF, FMD and AI crises relevant "vertical" legislation was revised/updated, taking into account the lessons learnt (including on vaccination and contingency planning).
  - Commission’s role increasingly widely accepted both within the EU and internationally.
CAHP evaluation: key messages /2

• Having said this policy appears as:
  ➢ a series of interrelated actions/actors at institutional & civil society level operating under a large umbrella of legislation and formal/informal networks …
  
  … but

  ➢ without a definition of strategy for the whole and limited assessment of actions taken in terms of performance review and feedback.
CAHP evaluation: key messages /3

• The evaluation has highlighted the many linkages inherent in the policy:
  ➢ e.g. between what happens in third countries, what happens at EU borders, and what actions are taken to secure animal health status within the EU.
  ➢ e.g. between actions to improve animal health and welfare in the EU and to fulfil the Lisbon criteria / maintain/achieve international competitiveness.
**CAHP evaluation: key messages /4**

- **Subsidiarity** issues a central underlying theme:
  
  - With principles and rules laid down at EU level but implemented by MS, subsidiarity is key in allowing flexibility at MS/regional/local level.
  
  - Enforcement issues often critical; in this context, the Commission’s role is crucial in guaranteeing a common approach and standards across the Community.
CAHP evaluation

Conclusions per theme
1995 - 2004
Intra-Community trade: key conclusions /1

Main **policy objectives** fulfilled:

- By and large free circulation achieved in last decade for SOE and animal products.
- For live animals move towards freer circulation.
- Limiting spread of animal disease also largely achieved.
- Regionalisation policy: useful additional tool.
Intra-Community trade: key conclusions /2

However,

- Concern over continuing lack of uniformity in certification procedures/veterinary checks across EU.
- Clear division of opinion between MS/stakeholders on additional guarantees: are they necessary/desirable?
- Limited robust cost-benefit analysis of measures in already in place or to be adopted.
Intra-Community trade: key conclusions /3

Objectives:

• Issue of balance between free circulation and maintenance of AH status (live animals).

• Live animal movement a major risk factor contributing to disease spread.

• Ultimately, achieving more uniform AH status across the EU, or agreeing on additional guarantees where justified (e.g. diseases with human health impact?), would overcome this issue.
EU control & eradication programmes: key conclusions /1

Main policy objectives fulfilled:

• Progressive eradication from large areas of the Community of most diseases targeted by EU co-funded programmes over evaluation period.

• Significant expansion in disease-free zones.
EU control & eradication programmes: key conclusions /2

However:

• Results tend to vary between diseases and regions: assess programme effectiveness at regional rather than MS level.
• Eradication more effective for some diseases [e.g. rabies, ASF (except Sardinia), AHS, CSF (except Germany)].
• For TB, brucellosis & leucosis results are mixed despite considerable overall investment: public health implications of concern to stakeholders.
EU control & eradication programmes: key conclusions /3

In response:

- Need for regional focus, identified by SANCO and MS, with programme priority in second half of evaluation period on key problem regions and diseases.
- Programme selection and monitoring also improved, with more effective linkage to past performance and deliverables – further improvements on the way.
EU control & eradication programmes: key conclusions /4

Outstanding issues:

• Absolute efficiency per programme/measure difficult to assess due to absence of cost/benefit analysis and lack of clear quantifiable indicators ➔ implications for allocation of funds between diseases.

• Lack of appropriate tools (e.g. diagnostics, vaccines) another major reason for limited results ➔ need for more (EU funded) research in this field.

• MS implementation: limited results in some cases suggest scope for Commission to apply more effective guidance/sanctions.
EU control & eradication programmes: key conclusions

In response:

• As from 2006 multi-annual programming should improve direction (prioritisation) and effectiveness of spending.
EU control & eradication programmes: key conclusions /6

Added value of EU intervention:

• Actions at Community level offer significant added value for diseases with a need for EU coordinated action.

• Co-financing (at 50%) appropriate (but need more resources in SANCO to coordinate effectively).

• Potential scope for use of different co-financing rates, depending on disease/ programme relevance and importance for the EU as a whole.
Objectives:

- Eradication significantly harder to attain than reduction in disease prevalence.
- Reduction increases in difficulty when target moves higher.

Are programme targets too ambitious?
Community import regime: key conclusions /1

Border controls:

- Community system of border controls rigid, mainly geared towards declared imports.
- Illegal/fraudulent/undeclared imports major source of concern (although definite link and extent of risk difficult to prove): current system not considered to be adequately addressing this.
Community import regime: key conclusions /2

Border controls (cont’d):

• System weakened by deficiencies in legislation, MS implementation, and cooperation between relevant competent authorities at both EU and MS level.

• Implementation of border controls (BIPs) considered uneven across the EU.
Community import regime: key conclusions /3

Third country certification:

- Works reasonably well and has provided incentive to third countries to upgrade standards (TC survey).
- However, reliability of procedures a key prerequisite: more recently some concerns raised on this.
Community import regime: key conclusions /4

International agreements:

• EU widely considered to be substantially aligned to international commitments.
• Regionalisation policy appreciated and beneficial to developing countries.
Community import regime: key conclusions /5

BIPs:

• No cost benefit analysis or economic criteria for selection of BIPs.

• However, EU funding is relatively limited (except in the NMS).

• Lack of necessary infrastructure/equipment and human resources are key reasons for wide variation in quality and effectiveness of border controls between BIPs.
Listing of third countries and establishments:

• Limited resources in SANCO (FVO) compared to scale of task (many countries/products, situation highly changeable over time).

• In some cases, effort disproportionate to potential value of trade flows.

• Difficult to establish whether efficiency of process has improved/worsened (lack of data, and limited comparability).
Disease monitoring and surveillance: key conclusions

- Overall, effective and rapid detection and response to exotic diseases / new emerging risks.
- Effectiveness depends on disease:
  - in some cases diseases rapidly detected and outbreak kept under control (e.g. AI, NCD);
  - in others, insufficient control of disease spread (e.g. FMD 2001, CSF);
  - in certain cases, it remains technically difficult to control a disease (e.g. bluetongue, ASF).
Disease monitoring and surveillance: key conclusions /2

• EU surveillance network/ notification provisions adequate. ADNS and RASFF widely appreciated and work well.

• Crisis management at central (Commission) level needs to improve, including supervision of MS emergency plans and quick mobilisation of experts.
Disease monitoring and surveillance: key conclusions /3

- Emergency actions attract a significant share of the CAHP budget (Decision 90/424). Some years, total expenditure on emergency measures (especially when EAGGF funds are added) dwarfs CAHP budget.
- This inevitably raises efficiency questions, including extent to which it might act as a disincentive to MS to focus on preventive action.
Disease monitoring and surveillance: key conclusions /4

• Range of views on effectiveness of vaccination, depending on disease. Consumer acceptance / threat of trade blocks still major issues impeding application in spite of significant expenditure on vaccine and reagent banks.

• Hitherto, lack of cost-benefit analysis on vaccination.
Disease monitoring and surveillance: key conclusions

**Added value of EU intervention:**

- The EC has a unique co-ordinating role to play, due to international nature of epizootic risk and EU wide nature of economic consequences.
- Value of EC role to increase in future in the context of globalisation and increases in trade volumes.
Communication with external stakeholders: key conclusions

- Complex and varied CAHP issues may not be well understood/ not readily understandable
- Does policy tend to be crisis-driven partly due to perceived public pressure based on media information/ misinformation?

Are objectives and issues surrounding policy currently adequately communicated to public/media?
Financial aspects: key conclusions /1

• Overall, during last decade, budget allocation only partly adapted to CAHP needs, particularly on eradication programmes and between diseases.

• Emergency measures have tended to take up a disproportionate & unpredictable share of overall budget.

• Consequently policy seen as insufficiently focused on prevention activities

• Regional imbalance in terms of emergency funds allocation
Financial aspects: key conclusions /3

• During 1997-2005, 85% of expenditures of “Veterinary Fund” were spent in two MS.

• Transfer of funds from low-risk to high-risk areas may provide adverse incentives.
CAHP evaluation: the future

Key options/recommendations

2007-2013
CAHP global intervention logic (future)

Global objectives

Economic growth/cohesion/competitiveness

Human health

Intermediate objectives

Protection of animal health & welfare

Expected results/ Specific objectives

To ensure free circulation of goods / proportionate live animal movement (facilitate trade & single market)

Reduction of incidence of zoonoses in humans; reduction of biological/chemical risk in food of animal origin

Prevention/reduction of animal disease incidence to support farm incomes and the rural economy

Activities / Operational objectives

CAHP

CAP

other EU policies

FCEC – CAHP evaluation

The future: key recommendations /1

• Promote stronger culture of **bio-security** at all levels:
  ➢ a harmonised framework for cost and responsibility sharing would be a key component;
  ➢ structured so as to allow implementation in line with subsidiarity at MS / regional level;
  ➢ focussed on diseases of high ‘public relevance’ in terms of potential impact (human health and economic), which need coordinated EU action.
The future: key recommendations /2

• More risk management/disease prevention, via:
  ➢ improved risk based targeting of funding (using cost effectiveness and cost benefit analysis);
  ➢ better prioritisation of actions (e.g. for disease eradication and surveillance, R&D etc.);
  ➢ more targeted measures and incentives at all levels;
  ➢ early detection of exotic and new/emerging disease threats, including controls on illegal entry of potentially risk carrying materials.
The future: key recommendations /3

- Specific issues for further consideration include:
  - Improve alignment to OIE guidelines/standards;
  - Gradual move to integrated electronic identification and certification procedures for intra-Community trade;
  - Support for bio-security measures at farm level via existing funds;
  - Assist third countries to upgrade their AH status to meet EU and international (OIE) requirements;
  - Negotiate export conditions at Community level;
  - Target illegal (commercial) imports/fraud.
CAHP evaluation: the future

Pre-feasibility study on harmonised schemes for the sharing of responsibilities and costs of epidemic livestock diseases
Starting point: Six criteria

I. Categorisation of animal diseases – public interest in managing risks of a disease depends on impacts.

II. Efficient risk transfer and incentive compatibility – Compensation has to encourage risk-reduction.

III. Balancing costs and responsibilities – Public intervention needed. Important: subsidiarity, social aspects.

IV. Prevention of distortion of competition – Cost-sharing schemes should be harmonised.

V. Compatibility with EU requirements – Take into account EU and WTO requirements for state aid.

VI. Effectiveness and flexibility of implementation – Effective while allowing flexibility of implementation.
Main principles of harmonised EU framework

• Compulsory participation of operators in national/regional cost-sharing schemes.
• Need to cover animal diseases with high public relevance (i.e., possible negative impacts on human health or animal health/welfare, wider economy).
• Cost-sharing schemes usually focus on farmers. Other operators from the livestock industry such as traders can be included.

(➔ Only those operators who are compensated for losses should contribute to a cost-sharing scheme.)
Contributions to harmonised schemes

• Contributions of operators to cost-sharing scheme have to be adjusted to individual risk
  ➢ Number of animals
  ➢ Species and type of animals
  ➢ Regional risk adjustment

• Bonus system for prevention measures
  ➢ “Safety bonus”
  ➢ “Disease-free bonus”
Compensation payments to operators /1

• Compensation of all financial consequences of production risks directly caused by control measures ordered by veterinary authorities.

(►One category of losses such as value of culled animals may not be indemnified at a different rate than another such as business interruption losses when losses can be transferred by an operator, as this would provide adverse incentives.)

• Price risks of farmers and consequential losses of other sectors should not be covered by cost-sharing scheme.
Compensation payments to operators /2

- Compensation of operators from the cost-sharing scheme based on animal value at time of culling (as long as it is not higher than pre-crisis values).

- Some losses could be compensated as pre-determined flat-rate, e.g. business interruption losses. (the higher the agreed flat-rate, the higher the contribution of the operator.)

- Penalise late reporting of disease cases (Best practice: reduction of compensation for dead/visibly sick animals. Better: disease-specific acceptable prevalence rate).
## Overview compensation payments to operators

<table>
<thead>
<tr>
<th>Cost / Loss category</th>
<th>Description</th>
<th>Compensation by cost sharing scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevention costs</td>
<td>Bio-security measures</td>
<td>To be borne by operator, some prevention programmes covered by cost-sharing schemes</td>
</tr>
<tr>
<td>Disease outbreak losses caused directly by veterinary restrictions</td>
<td>Stamping-out of infected herds</td>
<td>Partial compensation of animal value depending on time of reporting</td>
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<td></td>
<td>Pre-emptive slaughter / welfare slaughter</td>
<td>Full compensation of animal value</td>
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<td></td>
<td>Emergency vaccination, disinfection, slaughter / rendering costs</td>
<td>Full compensation or flat rate</td>
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<tr>
<td></td>
<td>Partial loss of animal value due to control measures</td>
<td>Full compensation of loss in animal value</td>
</tr>
<tr>
<td></td>
<td>Business interruption losses</td>
<td>Flat rate (negotiated in advance)</td>
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<tr>
<td>Price risks operators</td>
<td>Not covered by this scheme</td>
<td></td>
</tr>
<tr>
<td>Losses other sectors</td>
<td>Not covered by this scheme</td>
<td></td>
</tr>
</tbody>
</table>
Implementation of schemes

- Flexibility of implementation at the regional/national level.

- Feasible to combine two options through creating hybrid forms; e.g., possible to combine a public fund with obligatory private insurance covering business interruption losses.

- Public involvement needed for setting up the schemes and supervision. Best practice: operators participate in standard setting.
Public financial contributions

- Level of public financial support for cost sharing schemes (EU+MS) has to be harmonised.

- New possible role for EU “Veterinary fund”: Support to cost-sharing schemes. Two options: “peace-time” or loss dependent? (Does solidarity mean that low risk areas continue to finance costly disease outbreaks in high-density areas of a few Member States?)

- Contingency capital needed in case a cost-sharing scheme runs dry. Possible solution is public loan.
Advantages of responsibility/cost-sharing

• Enhances welfare of operators, makes risk of outbreaks more manageable.

• Involves operators more in prevention and outbreak management decision process.

• Is essential for an incentive based approach.

• Efficiency gains by linking the cost-sharing schemes to prevention.

• Contributes to preventing major financial risks for Member States’ and Community budgets.