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**COMMISSION STAFF WORKING DOCUMENT**

**EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT**

*Accompanying the document*

**Proposal for a**

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material, amending Council Directives 98/56/EC, 2000/29/EC and 2008/90/EC, Regulations (EC) No 178/2002, (EC) No 882/2004 and (EC) No 396/2005, Directive 2009/128/EC and Regulation (EC) No 1107/2009 and repealing Council Decisions 66/399/EEC, 76/894/EEC and 2009/470/EC**

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## 1: Procedural issues and consultation of interested parties

1. For some years, the Commission, specifically DG Health and Consumers, has been working on the revision of EU policy for animal health, animal welfare, plant health, plant reproductive material, feed and food safety, and the official controls that underpin the effective implementation of these policies (hereinafter together referred to as "food safety policy").
2. The overall budget of €1.891bn for 2014-2020 (in current prices) for the food safety financial framework has already been proposed by the Commission within the context of the Multiannual Financial Framework (MFF). Therefore, this impact assessment is intended to consider the likely impacts of the options available for the financial framework.
3. This is intended to be a proportionate level of analysis in line with the Commission guidelines on Impact Assessment.

### *Supporting Impact Assessments and Consultations*

4. Because all four policies have been under revision for some time, they are individually supported by their own impact assessments.

## 2: Problem definition

5. EU financial support for food safety, animal health, plant health and official controls, is generally considered to add value over and above the amounts contributed and to work fairly well in its existing format. However, the revision of the overall MFF and of the individual policies presents an opportunity to assess how the current situation could be improved further, as well as tying it more effectively to the Commission and the EU objectives, including the Europe 2020 goals.

### *Current policy and financial framework*

6. The overwhelming majority of the EU co-funded activities have their legal basis in one of the three following pieces of legislation: Council Decision 2009/470/EC; Directive 2000/29/EC; Regulation 882/2004.
7. The 2011 food safety budget was just under €314.6m. It was allocated as follows: Veterinary Programmes, 75%; Plant Health, 6.1%; Better Training for Safer Food (BTSF) initiative, 4.5%; EU Reference Laboratories (EURLs), 4.5%; animal health emergency measures, 3.2%.

### *Problem identification*

8. **Driver 1:** The current legal framework is over-complex and sometimes out of date.
  - Problems:
    - o Lack of alignment with the newly proposed MFF 2014-2020
    - o Potential administrative burdens for MSs in keeping up to date and fully complying with administrative and funding requirements.
9. The new MFF will move the 'food safety' budget lines from Heading 2 of the overall EU budget into Heading 3, to be called 'Security and Citizenship'. This means that the current legal base for financial controls and management of funding (Regulation 1290/2005) will no longer cover food and feed spending. Moreover, should exceptional emergencies arise requiring EU financial support, there will legally be no access to the 'Reserve for crises in the agricultural sector'.
10. The various financial provisions are currently found in a number of different legislative instruments. This in itself can be confusing and unwieldy for MSs seeking to understand the legislation, with associated administrative burden.
11. There is also the problem of the changing sectorial legislation. Without the according changes to the financial provisions, they will remain unaligned to the new objectives and measures.
12. The current lack of clarity in funding rates presents MSs with a great deal of uncertainty when planning programmes.

13. **Driver 2:** The existing financial management tools are not optimal.

- Problems:
  - o Lack of clarity in eligible measures for funding and their costs
  - o Complex administrative arrangements
  - o Inefficient allocation of available resources.

14. At present, many of the administrative arrangements for gaining programme approval and funding reimbursement are overly complex.

15. The current financial provisions do not set the most clear and consistent objectives and indicators, therefore programmes cannot always be consistently assessed and improved.

16. The definition of eligible measures and associated costs are not as clear and simple as they could be. Eligible measures and funding rates are scattered across different regulations.

17. **Driver 3:** Current tools are not sufficiently focused to guarantee the achievement of food safety objectives.

- Problems:
  - o Sub-optimal implementation of individual policies and risk of not fully achieving overall policy objectives.

18. DG Health and Consumers internal audits and reports, as well as the impact assessments carried out for the individual policy areas, have identified a number of issues that could be improved to better support policy objectives (e.g. prioritisation and categorisation of diseases).

#### *The right and justification for EU action*

19. The EU has the right to act in all of these areas, but not exclusive competence. MSs are also free to take their own measures, provided that they do not interfere with other EU regulations.

#### *Necessity test - Why can the objectives not be achieved by MSs?*

20. Good animal health, plant health and food safety and feed safety are a public good with wide societal benefits. MSs must act together to prevent or control the spread of diseases or pests, using similar or identical control and management measures. Coordination at EU level allows for cheaper and more effective action on EU priorities. Third country trade partners might also implement restrictions on imports from the EU as a whole if a safety problem in a MS is not properly eradicated.

#### *Added value test - Can objectives be better achieved by the EU?*

21. The specific added value of EU financing or co-financing is that it provides incentives to MSs to put in place and support eradication and surveillance actions which are in the long-term interest of the Union as a whole. There are a number of reasons why the EU intervenes to support better and safer food and feed, such as: direct economic losses for operators, indirect impact on trade, threat to public health.

### **3: Objectives**

#### *General Objective*

22. Expenditure covered by this Regulation shall aim to ensure a high level of health for humans, animals and plants along the food chain and in related areas and a high level of protection for consumers and the environment while enabling the EU food industry to operate in an environment favouring competitiveness and the creation of jobs.

#### *Specific objectives*

23. To **establish a simple, clear, transparent and modern legal framework** for food and feed.

24. To **optimise the implementation and functioning of financial management** instruments.

25. To **support the policy objectives laid out in feed and food legislation** through the effective and efficient distribution of the budget.

## *Operational Objectives*

26. These are supported by further, more detailed, operational objectives.

### **4: Policy options**

#### *Option 1: Baseline scenario: No change*

27. No change would involve continuing with the existing set of legislative instruments governing the financial framework. This would mean initially that programmes could continue as now, but from 2014, there would be no legal base for the management and control of the expenditure.

#### *Option 2: Bring existing legislation into one legislative instrument*

28. Option 2 examines whether it would be possible to keep all existing measures from existing legislation, and bring them together into one regulation.

#### *Option 3: Single coherent financial programme*

29. Sub-option 3(a): Establish a single coherent financial programme, largely using existing financial provisions, but with some improvements, particularly simplification.

30. Sub-option 3(b): As for sub-option (a) but including the introduction of aspects of Cost and Responsibility Sharing Schemes (CRSS) into the financial regulation.

#### *Option 4: Stop all EU action*

31. It would in theory be possible to stop all EU financial provisions that contribute towards food and feed safety, and require MSs to fund their own programmes and activities.

### **5: Analysis of impacts**

32. As this is strictly a financial regulation, each option will be analysed according to its impact related to the main problems and specific objectives identified in the assessment:

- Administrative and legal impacts
- Financial and management impacts
- Impacts on food safety objectives

#### *Option 1: Baseline scenario: No change*

33. By the start of 2014, the current framework will not be legally consistent with the new MFF. The system will have no specific legal basis for financial management or controls.

34. Without access to the crisis reserve, MSs would be left to fend for themselves in the face of exceptionally large emergencies, as well as the possible associated problems of food safety, public health and food security. In the current economic climate, MSs are likely to find this even harder than usual to bear.

35. Continuing with the current system would mean not reforming the requirements for better evaluation and according ability to modify programmes to make them more effective, therefore inevitably continuing with sub-optimal and perhaps ineffective programmes. The increase in both animal and plant disease, and the corresponding impacts on food safety, public health, and food security, is likely to ultimately cost much more to public budgets.

36. The amendments to the legal provisions required by the sectorial policy reviews would not be made. This would affect the possibility to meet the objectives of those reviews, risking a large increase in plant and animal health problems.

#### *Option 2: Bring existing legislation into one legislative instrument*

37. This option would potentially achieve objective 1 as identified in section 3, by promoting simplicity and encouraging better understanding of the legislation, but would not meet either of the other two objectives identified. It also does not address any of the policy gaps or issues identified.

*Option 3 (a): establish a single coherent financial programme, largely using existing financial provisions, but with some improvements*

- 38. Funding rates would be simplified to provide only three different standard rates. This would provide more transparency and consistency across EU measures. The removal of the possibility of funding measures with a value of less than €50,000 would eliminate a disproportionate administrative burden for both the Commission and MSs.
- 39. The financial support for plant health is proposed to be more strongly aligned with animal health as regards procedures and processes. This also introduces the possibility of streamlining administration in both the Commission and MSs.
- 40. The legal requirements for the processes to approve and reimburse programmes in the Veterinary Programmes and the emergency measures would be simplified. This will significantly reduce administrative burden in terms of staff time in the Commission and the MSs and is also likely to speed up payments to MSs.
- 41. Financial management tools will be improved under this reform. By setting clearer objectives and indicators for programmes, and following up evaluations more thoroughly, veterinary and plants measures are likely to be much more effective.
- 42. The review of the official food and feed controls Regulation will strengthen the legal base of the BTSF initiative, make its scope more coherent and improve its efficiency and effectiveness.
- 43. Option 3a will better support the achievement of plant health objectives compared to the baseline option. For example, plant health is not currently covered by the EURLs, and plant health laboratories are not currently accredited.

*Option 3 (b): Introduction of aspects of Cost and Responsibility Sharing Schemes (CRSS)*

- 44. Being a development of Option 3(a), impacts already described as for that policy alternative can be mostly kept on board when assessing Option 3(b). The additional CRSS element introduced by this option either entails extra impacts or modifies the expected outcomes of Option 3(a).
- 45. The likelihood of a CRSS being acceptable to MSs and to stakeholders is small. The introduction of a CRSS system would defeat the objectives of clarity and simplicity. In addition, the current financial climate makes it more difficult politically and culturally for MSs and stakeholders to accept a larger share of the financial burden, even if the overall burden from outbreaks and pests reduces in the long term.

*Option 4: Stop all EU Action*

- 46. This option has been discarded without being analysed in great detail. It is self-evident that it would meet none of the objectives set out in Section 3.
- 47. It is unlikely that MSs would continue to fund eradication programmes by themselves; especially in the current economic climate. This risks jeopardising the achievements of the investments that have already been made.

## **6: Comparing the options**

- 48. Option 3(a) is the preferred way forward. It is the only alternative to meet all three objectives, and with very few (if any) negative impacts.
- 49. Option 3(b) has been dismissed for now. However, in the future, with a changed environment, it may well offer the most appropriate solution to many of the wider and changing problems facing animal and plant health, and could be re-examined.

## Comparative assessment of impacts

|                                                           | Option 3(a)                                                                                                                                                 | Option 3(b)                                                                                                                                                                                                           |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Achievement of legal and administrative objectives</b> | +<br>Reduction of administrative burden on PA and private sector                                                                                            | -<br>Additional administrative burden on MSs and private sector (in the short-term)                                                                                                                                   |
| <b>Optimising financial management tools</b>              | +<br>Increased efficiency: <ul style="list-style-type: none"> <li>• clearer objectives and indicators</li> <li>• longer-term sustainability</li> </ul>      | -/+<br>Short run: (possible) decreased efficiency: <ul style="list-style-type: none"> <li>• time needed to familiarise with the new system</li> <li>• lack of acceptability in both MSs and private sector</li> </ul> |
|                                                           |                                                                                                                                                             | +<br>Long-run: Increased efficiency                                                                                                                                                                                   |
| <b>Support to achievement of food and feed objectives</b> | +<br>Increased effectiveness: <ul style="list-style-type: none"> <li>• improved consistency among EU policies and with international commitments</li> </ul> | ++<br>Increased effectiveness: <ul style="list-style-type: none"> <li>• additional incentives towards prevention and eradication</li> </ul>                                                                           |

## 7: Monitoring and evaluation

50. An evaluation and ex-post evaluation report are envisaged, and indicators for objectives have been developed. The results of the evaluations will be communicated as appropriate.