



Rural Development Programme 2007-2013

EU Agricultural and Forestry Processing and Marketing Grant Scheme Information Brochure



Department of
**Agriculture and
Rural Development**
www.dardni.gov.uk

AN ROINN
**Talmhaíochta agus
Forbartha Tuaithe**

MÁNNYSTRIE O
**Fairms an
Kintra Fordèrin**



**'The European Agricultural Fund
for Rural Development's. Bringing
investing in rural areas!'**

EU Agricultural and Forestry Processing and Marketing Grant Scheme Information Brochure

Please read this Brochure carefully before completing the application form.

Copies of this document can be made available, on request, in alternative formats e.g. in large print, Braille, disc, audiocassette (for those with vision difficulties) and other languages.

If you require any assistance please contact:

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EU Agricultural and Forestry Processing and Marketing Grant (PMG) Scheme

Introduction

1. This brochure describes in detail the EU Agricultural and Forestry Processing and Marketing Grant (PMG) Scheme. The information contained in it will help you to understand the conditions of the PMG Scheme (hereinafter referred to as the Scheme) and to prepare and submit an application.
2. The Scheme, which will run to 31 December 2013, is part of the Northern Ireland Rural Development Programme (RDP). It is open to applicants throughout Northern Ireland. The Scheme is part financed by the European Agricultural Fund for Rural Development (EAFRD) under Priority Axis 1, Measure 1.2. Funding is shared by the European Commission and the Department of Agriculture and Rural Development. The Scheme is governed by the legislation at Annex A.
3. For the purpose of the Scheme: ‘Processing and Marketing’ is taken to mean all the steps involved in supplying the right products, at the right price and at the right time. An example is where a raw material input is subjected to some form of additional treatment, handling or management that results in a physical change in the end product that increases its competitiveness and adds value to the product. With the exception of forestry applications, the end product must fall within the list of primary agricultural products as defined in Annex 1 of the Treaty of Rome and / or have an edible preparation classification in the HM Revenue and Customs Tariff (for example, chapter 21 – miscellaneous edible preparations).
4. Under the Scheme financial support will be available for capital investment used to erect new buildings, refurbish old premises and buy equipment so as to improve the economic performance and international competitiveness of the agri-food, horticultural and forestry sectors. Support is also available towards the cost of a Business Plan and for directly related technical costs.
5. Applications should be made to Rural Development Division. Applications will be appraised by DARD and where appropriate, Invest Northern Ireland (Invest NI). Funding decisions will be taken by the Scheme Selection Panel. You should not commit any expenditure on which grant may be sought until your application has been approved by DARD and a Letter of Offer has been issued, signed by you and returned to DARD.

Who Can Apply

6. The Scheme is open to micro, small, medium and intermediate sized enterprises involved or wishing to become involved in processing including:-
 - processors;
 - groups of producers and
 - individual producers.

In the case of the forestry sector the Scheme is limited to micro enterprises.

7. (a) A “micro” enterprise is an enterprise which:-

- has fewer than 10 employees; and
- has either an annual turnover not exceeding €2 million or an annual balance sheet not exceeding €2 million.

(b) A “small” enterprise is an enterprise which:-

- has fewer than 50 employees; and
- has either an annual turnover not exceeding €10 million or an annual balance sheet not exceeding €10 million.

(c) A “medium” enterprise is an enterprise which:-

- has fewer than 250 employees; and
- has either an annual turnover not exceeding €50 million or an annual balance sheet not exceeding €43 million.

(d) An “intermediate” sized enterprise is an enterprise which has less than 750 employees or a turnover of less than €200 million.

(e) **An enterprise must meet the size criteria detailed above for the whole of the enterprise, including subsidiaries and parent companies.**

Ways In Which The Grant Could Be Used

Illustrative **examples** of possible projects include:

- Livestock: to increase the level of added value processing, to improve packaging, to prepare new products and to assist small processors to meet the requirements to engage in public procurement;
- Poultry: to invest in new packaging facilities which reduce the volume of packaging material and the proportion of non-recyclable packaging used;
- Eggs: to invest in new processing facilities in line with technology advances or to improve efficiency at egg packing centres;
- Milk and Milk Products: to encourage innovation and the development of higher value dairy products particularly for the growing market for speciality cheeses;
- Potatoes: to invest in packing and processing facilities to meet market/customer demand including the requirements of the large supermarkets and public procurement contracts;

- Horticulture: to improve processing facilities and added value outputs in line with health initiatives to improve consumption and to meet increasing customer requirements for pre-prepared products, automation of flower packing lines to increase productivity;
- Marts: to improve facilities at livestock marts for animal welfare/effluent handling. To develop infrastructure at “farmers’ marts” and to develop infrastructure to farm shops, where the shop is at the same location as the processing of the produce;
- Forestry: the processing of a primary forest product or crop where the output is a renewable energy fuel.

The above examples are for illustrative purposes only. Please refer to Annex B (Exclusions) that provides examples of project investments that are not eligible under the Scheme. In deciding whether to submit an application consideration should be given to all sections within this Brochure and in particular to the sections entitled “Project Eligibility and “Selecting Successful Projects”. These sections will help you decide whether your project meets the Scheme objectives and criteria. Funding for projects is competitive which means that not all project applications to the Scheme will be successful.

Project Eligibility Criteria

To be eligible for a grant under the Scheme you will have to meet the criteria outlined in paragraphs 8 to 18.

8. Projects must have a minimum level of investment (eligible expenditure) of £15,000.

Sectors covered

9. Investments must fall within the following sectors:-

- Red meat
- Pig meat
- Poultry meat
- Eggs
- Milk and milk products
- Potatoes
- Horticulture (including flowers, fruit and vegetables)
- Cereals
- Forestry

Type of produce processed

10. Projects must primarily (at least 90%) concern the processing of products (other than fishery products) covered by Annex I to the Treaty of Rome (see Annex D) or forestry products. This means that project inputs (raw materials taken in for processing) must be primary agricultural / horticultural products or forestry products. Investments related to the use of wood as a raw material are limited to all working operations prior to industrial processing. Working operations (including

those relating to biomass or wood materials) which do not reconstitute the material, do not fall into the industrial processing category.

Producer benefits

11. You must be able to show that the project benefits primary producers from the agricultural, horticultural or forestry sectors providing the raw material for processing.

Market outlets

12. You must be able to demonstrate that you have identified a normal market outlet for the product(s) of their projects. You will be required to provide detailed information on the market outlets you have identified for your products so that it is clear that a commercial market for the products concerned exists. Such information may range from specific market research and the results of feasibility studies to letters of intent and contracts with new or established customers.

Funding of projects

13. You must be able to demonstrate that your business is financially viable, that the project will be profitable and that a grant is needed for the project to succeed. The principle of “additionality” will apply in all cases. This means firstly that grant will only be paid on a project if it is clearly shown that it would not take place as planned without a grant. In addition the amount of aid available to a project will be determined according to the principle of providing the minimum grant necessary for the project to proceed.

EU Objectives

14. Projects must meet **one or more** of the following EU objectives:-
 - guide production in line with foreseeable market trends;
 - encourage greater collaboration between producers and the rest of the supply chain;
 - improve the uptake of technology/innovation which will make the business more competitive;
 - encourage better use/elimination of by-products/waste;
 - encourage the development of added value products; or
 - promote the production and processing of renewable energy.

Other requirements

15. You must declare that the project will comply with relevant National and EU legislation on equal opportunities.
16. You must comply, where applicable, with National and EU legislation on food safety and animal welfare. For projects involving meat processing, before a project will be considered for an award of grant DARD's Veterinary Service must issue a certificate confirming that the proposed project would be in compliance

with any legal obligations under EU and UK law in relation to food safety and animal welfare.

17. You must comply with national and EU legislation on the environment (including demonstrating compliance with Planning Service requirements and Building Control regulations). **Planning permission or a Certificate of Lawfulness from the Planning Service must be obtained and forwarded to DARD before a project will be considered for an award of grant by the Scheme Selection Panel.** In exceptional circumstances DARD may allow a project to be considered if the applicant provides confirmation in writing from the Planning Service that the planning application is at an advanced stage of consideration and under normal procedures planning approval is likely to be granted within three months.
18. You must demonstrate that the business has the necessary technical skills and competence to undertake the project.

Exclusions

19. There are a number of exclusions (project investments) and these are set out in Annex B.

Items Which Are Eligible For Grant

20. **The following items are eligible and can be paid at the grant rates indicated in paragraphs 22 to 25, they include:**
 - the cost of erecting new buildings;
 - refurbishing old buildings;
 - installing equipment (including computer hardware and software for operating the equipment);
 - marketing costs of the product - for example, labellers, packaging equipment, and end product chill storage. Please note that design and/or promotional costs are not eligible.
 - the cost of a business plan prepared by a third party in support of an application for grant under the Scheme (see paragraphs 32 and 43xi).

Directly related technical costs such as architects', engineers' and consultants' fees are also eligible for grant up to a maximum of 10% of the total eligible project costs providing they do not include the costs involved in preparing an application or claims for grant.

21. Items not eligible for grant are listed in Annex C.

Grant Rates

22. **Where both project inputs (raw materials taken in for processing) and project outputs (products delivered to the market) are primary agricultural products (ie covered by Annex 1 to the Treaty of Rome - see Annex D), grant up to a maximum of £0.5 million per project may be paid on projects submitted by –**

- (a) “micro”, “small” and “medium” enterprises at a rate of up to 40% of eligible costs;
 - (b) “intermediate” enterprises at a rate of up to 20% of eligible costs.
23. Where the project inputs are primary agricultural products (i.e. Annex 1 products) but the project outputs are not primary agricultural products_(i.e. Non-Annex 1 products) option (a) or (b) below may be applied:
- (a) (i) **micro and small enterprises:-** grant at a rate of up to 30% of eligible costs and a maximum of £0.5 million per project may be paid;
 - (a) (ii) **medium enterprises:-** grant at a rate of up to 25% of eligible costs and a maximum of £0.5 million per project may be paid;
 - (a) (iii) **intermediate enterprise:-** option (b) applies.
- OR:**
- (b) Where the maximum grant requirement is not more than €200,000 over 3 fiscal years (1 April to 31 March), grant may be paid at up to 40% of eligible costs or 20% in the case of intermediate enterprises.
24. Paragraphs 22 and 23 do not apply to projects relating to the processing of forestry products. Where the project inputs are forestry products, grant up to a maximum of €200,000 over 3 fiscal years (1 April to 31 March) may be paid on projects submitted by “micro” enterprises at a rate of up to 40% of eligible costs.
25. The level of grant may be subject to change if EC regulations are amended throughout the lifetime of the Northern Ireland Rural Development Programme. Funding to successful projects will be subject to budget availability.

How To Apply

26. Applications will only be accepted while the Scheme is open.
- (a) The Application Form is available on the RDP website: www.rdpni.info
You can either print the application form and complete in writing or alternatively download the application form and complete electronically.
 - (b) If you do not have access to the internet then you may request a paper version of the application form by contacting Rural Development Division, DARD (telephone 028 9052 4871 or 028 9052 4219).
27. You can only submit one application for each tranche of applications and an application must be in respect of a complete project or a separate viable part of a bigger project.
28. You will be asked to confirm that none of the items covered by the application are replacements under an insurance claim and that no other public funding (whether from the EU or other sources) has been sought for any part of the project.

29. It is an offence to make a false statement in your application form. Should DARD discover that you have intentionally made a false declaration your project will be considered ineligible and DARD will not process any further application submitted by you under the Scheme during the EAFRD year (01 January to 31 December) in question and the following EAFRD year. This penalty will apply without prejudice to additional penalties, including prosecution, under national legislation.
30. Each completed application must be signed and dated and submitted to Rural Development Division, as shown on the application form. It must be signed by you and not a consultant. It will be acknowledged within five working days of receipt. If you do not receive this acknowledgement please contact Rural Development Division.
31. All information given will be treated in confidence. However if the project is selected for an award of grant European legislation requires DARD to publicise details of all EAFRD financial support awarded/paid out to legal persons. Any other disclosure of information will be in accordance with the Data Protection Act 1998, Freedom of Information Act 2000 and Environmental Information Regulations 2004.
32. Once the application has been submitted you must notify DARD immediately if you wish to make any changes to the project. Expenditure related to the preparation of a business plan or directly related technical costs described at paragraphs 20 and 43xi can only be incurred when DARD has advised in writing that these costs are considered eligible. No other expenditure can be incurred on the project until it has been appraised fully and DARD has issued a Letter of Offer.

Assessment of Project Applications

33. The assessment of your project application will be in proportion with the level of grant sought. The Scheme Selection Panel will assess those seeking more than £50,000 grant separately from those seeking up to and including £50,000 grant. The application will be checked against the eligibility criteria set out in paragraphs 8 to 18 of this brochure. This may include a visit to your premises to inspect the location of the project and to gather additional information to assist with the assessment of your project application. A check will also be made to ascertain whether you have made an application for aid for the same project or part of the project under another European Community or national scheme. You will then be informed in writing either that your project will proceed to the second stage in the assessment process or given an explanation as to why your project is not eligible for grant.
34. If you have been notified in writing that your project is ineligible you may request a meeting with DARD to discuss. Following such a meeting you may submit (if the Scheme is open for applications) an amended application for consideration. However, if after such a meeting you remain dissatisfied and have reason to believe that the facts have been misinterpreted or an error in processing your application has occurred, you may request a formal eligibility review of the decision. The right to a formal eligibility review will require you –

- to write to DARD, within 28 days of the date of the letter informing you that your project is ineligible, requesting a formal eligibility review; and
- to provide an explanation as to why you consider that a formal eligibility review is appropriate.

The matter will be considered by a review panel that will include an independent member from outside DARD. No additional information will be taken into account during this review. You will be informed of the result of the formal eligibility review in writing within five days of the panel's decision.

35. If you have been notified that your project can progress to the second stage in the assessment process (paragraph 33 refers) you will be asked to submit further information which may include, where appropriate, the following supporting documents:

- a) A business plan is not required for those seeking up to £50,000 grant (eligible expenditure of £125,000 – this expenditure level may vary depending on project outputs and / or the size of enterprise). You will however be required to provide appropriate evidence (for example, financial projections for 3 years) to support your application.
- b) A business plan is required for those seeking more than £50,000 grant. If you are an Invest NI client you will be required to liaise with the appropriate client executive in your regional Invest NI office regarding preparation of the business plan. The business plan must cover the items listed in Annex E.

A business plan should be submitted as soon as possible (electronic copy, if possible) and at least three months in advance of a Selection Panel meeting convened under paragraph 40. DARD or Invest NI will undertake the appraisal of your business plan.

The cost of the business plan may be eligible for grant but the costs incurred in the procurement of the business plan must have been incurred after you have been notified in writing that the project can progress to the second stage assessment (paragraph 33 refers) and must meet the procurement requirements set out in paragraph 36.

- c) Architects' plans and a copy of the planning approval or a Certificate of Lawfulness from the Planning Service stating that planning permission is not required.
- d) A detailed list of all items for which grant is being sought supported by a single set of detailed quotations. This will demonstrate that the proposed costs are reasonable / realistic. However, please note if your project is selected for an award of grant you will be required to obtain competitive tenders or quotations for all of the work to be undertaken and retain these for inspection by DARD or the European Commission.

- e) Evidence of ownership of the project premises, for example, a copy of the deeds, or a solicitor's letter confirming ownership. If you lease the premises a copy of the lease must be provided. The Scheme requires a minimum 5 year lease.
36. You should ensure that goods and services are purchased in a cost-effective manner that will demonstrate value for money - the procurement requirements for the PMG Scheme are as follows:

Up to £5,000	seek 2 price checks with potential suppliers – this can include internet price checks – these price checks should be documented and retained on file
£5,001 to £30,000	seek 2 detailed written quotations
Over £30,000	Public Advertisement for open or restricted tender competition based on a detailed specification of requirements

Goods and services over £30,000 should, where possible, be procured by means of a contract with the successful tenderer following public advertisement. Contracts for similar goods or services must not be divided into smaller orders for the purposes of avoiding the appropriate EC financial threshold.

If it is not possible to seek the required number of quotations or to place an advert for an expenditure item because, for example, there is only one specialist supplier, you must obtain the approval of DARD prior to making the purchase.

At claim stage you will be required to demonstrate that you sought quotations and /or placed a public advertisement. The Department reserves the right to challenge the expenditure and may, in certain circumstances, decide that the expenditure does not demonstrate value for money or does not comply with the above requirements and refuse payment.

Only expenditure included in an approved Project Budget is eligible for the purposes of the PMG Scheme. This budget may be varied, with the approval of the Department.

When tendering for items or services it is important that: –

- (i) You decide on the specification or services you require.
- (ii) The same list of items and/or services is presented to all companies so that all suppliers provide tenders for the same goods and services
- (iii) Tenders are opened at the same time and no advance knowledge of bids is made available to anyone prior to this opening or during the tendering process. A suitably qualified and experienced individual must supervise the tendering process.
- (iv) Receipts, invoices and copies of all bids are retained for inspection.

- (v) Quotations/tenders must be dated and where possible be on the suppliers headed paper. If they are received by fax or email you should keep the covering correspondence with the relevant quotation/tender.
37. If you do not provide DARD with the appropriate evidence to support your application (for example business plan) within the period specified by DARD then we will notify you that your application is no longer under consideration. Any further consideration of your project would then require the submission of a new application for grant. In these circumstances, the Scheme must be open for receipt of applications.

Selecting Successful Projects

38. Your application will be progressed in tandem through the various appraisal procedures and will be subject to a rigorous assessment. This will include the financial viability of the project which involves an “additionality” test, that is, whether grant is needed for the project to progress as planned and the minimum needed for this purpose.
39. All applications that have been fully appraised and have a positive economic appraisal will be considered (scored) by the Scheme Selection Panel. Separate Selection Panels will be convened to assess applications seeking up to and including £50,000 and those seeking more than £50,000. If funds are not available to support all projects your project will be considered by the Selection Panel under a competitive process which means that not all projects will be successful. Where an applicant has previously received an award of grant for a project, consideration of a further application may take account of progress in completing the previous project.
40. For the purposes of awarding grant the Selection Panel will assess projects against the following:-
- (a) the extent to which the project contributes to the EU objectives listed in paragraph 14;
 - (b) whether the project:
 - increases the use of raw materials listed in Annex I of the Treaty of Rome (Annex D) or forestry products;
 - increases exports (sales outside Northern Ireland);
 - improves the preparation and presentation of products;
 - involves organic or speciality products;
 - encourages diversification at producer level;
 - creates or safeguards employment;

- impacts positively on OFMDFM's Anti-poverty and Social Inclusion Strategy (previously known as TSN - Targeting Social Need).
41. If your project is selected for an award of grant DARD will write to you giving you two copies of a detailed Letter of Offer (a formal agreement advising that the assistance is part-financed by the EAFRD under Axis 1, Measure 1.2 of the Northern Ireland Rural Development Programme and setting out the conditions of the award, the items which are being supported, the targets for your project and monitoring data which you must provide). You will be asked to sign and date both copies and return one copy of the Letter of Offer to DARD. This will be your undertaking to abide by the conditions of the Scheme as detailed in paragraph 43.
42. (a) If your project is not to be awarded grant you will be provided with a written explanation. You may then request a meeting with DARD to discuss the reasons why it was not successful. If you consider that you can strengthen particular elements of your project you may reapply with a revised project twice more, both of which must be within one year from the date of the letter advising you that your project was initially not successful. The resubmission of a revised application will depend upon whether the scheme is open for applications. The same project (including any revisions) may not be considered by a Selection Panel on more than three occasions for an award of grant and on each occasion you must not have started work on the project.
- (b) If unsuccessful applicants (you) have reason to believe that the facts have been misinterpreted or an error has occurred in processing your application you may request a formal selection review which will require you to demonstrate that:
- the outcome was a decision that no reasonable person would make on the basis of the information provided on the application; and/or
 - there was a failure in adherence to the Scheme procedures.

A request for a formal selection review must be received by DARD in writing within 28 days of the letter advising that your project has not been awarded grant. The matter will then be considered by a review panel who were not involved in the original assessment of your project. This review panel will also include an independent member. No additional information will be considered during a formal review.

Conditions of Award

43. The award of a grant under the Scheme will be subject to the conditions set out in the Letter of Offer / Conditions of Grant issued to you. This Letter of Offer will include pre-conditions / conditions specific to your project that must be met before grant will be paid by DARD. Paragraph 50 of this brochure details action which may be taken by DARD if you do not comply with any of these conditions.

A. Completing the project

- (i) You must either have an existing DARD Business ID number or have obtained a DARD Business ID (CAT 2) number.
- (ii) You must not alter the project without the prior written approval of DARD.
- (iii) You are expected not to embark on major modifications after grant is awarded.
- (iv) You must sign, date and return to DARD a copy of the Letter of Offer within 28 days - of notification of an award of grant otherwise the offer of grant may be withdrawn.
- (v) You must submit the initial claim for grant within 12 months of the award of grant otherwise the offer of grant may be withdrawn.
- (vi) You must complete the project within the period specified within the Letter of Offer or by 30 March 2015, whichever is earlier.
- (vii) You must comply with the Scheme's procurement requirements outlined in paragraph 36 of this brochure.
- (viii) The location and size of any building erected or alterations to any building must be in accordance with the planning permission granted or information submitted to the Planning Service, and must comply with the appropriate Building Control Regulations.
- (ix) Claims must be submitted using the appropriate Scheme forms and be accompanied by evidence (including originals of all relevant invoices and procurement documentation) in relation to eligible expenditure. For expenditure to be considered as eligible, payments must have been debited from your bank account. Payments must be traceable from the original invoice to the cheque journal to the bank statement. You must maintain either a separate accounting system or an adequate accounting code for all transactions relating to the project. In this respect all documentation relating to project expenditure items should be clearly marked with a code e.g. the DARD project reference number. The relevant documents to be annotated with a code are; order and delivery documents, invoices, cheque journals and bank statements. Invoices should also be endorsed with the date paid and the cheque number or other payment reference number.
- (x) Grant will be paid in arrears of expenditure. In general you may submit a maximum of three claims for grant, providing:-
 - (a) a claim for at least 20% of eligible costs is submitted within 12 months of the date of the award of grant; and
 - (b) the final claim for grant represents at least 20% of eligible costs and is submitted not later than four months after completion of the project.

DARD will accept more frequent claims if there is a need to help company cash flow.

- (xi) Eligible costs in support of an application i.e. costs of a business plan prepared by a third party and directly related technical costs such as architects', engineers' and consultants' fees **can only be incurred** when DARD has advised in writing that these costs are considered eligible. Any costs incurred prior to such notification are not eligible for financial assistance. **You will be liable for the full costs should the application not be selected for funding.** If the application is successful these costs will form part of the total eligible costs of the project.

Grant will be payable, at the prescribed rate, on eligible expenditure incurred as described above or on / after the start of work date shown in the Letter of Offer. Such eligible expenditure must represent the net cost to you excluding all discounts (received or receivable).

- (xii) The Scheme allows for the purchase of second hand equipment by micro, small or medium sized enterprises in circumstances where:
- the equipment has not been grant-aided in the previous 7 years;
 - the second-hand equipment is fit for the proposed project activity;
 - the second-hand equipment is good quality with enough working life to be able to meet the 5 year durability test; and
 - it represents a sufficient advantage in terms of value for money when compared with new equipment.

When considering the purchase of second-hand equipment you must be able to demonstrate that the above criteria have been met.

The guidelines provided at Annex F of this brochure must be followed to ensure that any purchase of second-hand equipment is eligible for grant.

B. After completion of project.

- (i) You must not change ownership or the location of the project (or part of the project) during the lifetime of the Letter of Offer and within five years from the date of the final payment of grant without the prior written approval of DARD.
- (ii) Use of the assets during the five years following completion of the project must not depart to any significant extent from those outlined for the project at the time of the award and for five years from the date of the final payment of grant.
- (iii) You must meet any legal obligations imposed under EU and UK law, including legislation on food safety, animal welfare and equal opportunities.
- (iv) Any buildings and equipment on which grant is paid must be covered fully by insurance against loss and damage by fire, lightning, storm, flood, frost, theft, impact and such risks for at least five years from the date of the final payment of grant.

- (v) Any buildings and equipment on which grant is paid must be kept in good repair and operational on your premises for at least five years from the date of the final payment of grant.

C. General

- (i) If you do not meet the conditions of the Letter of Offer then consideration may be given to withdrawing the Letter of Offer and any grant which has been paid recovered with interest. DARD accepts no liability in respect of any loss attributable to any suspension, reduction or cancellation of grant.
- (ii) As per EU regulations, investments with a cost exceeding €50,000 are required to display a plaque on site. A billboard must be erected at sites with an investment costing more than €0.5 million. The plaque and billboard must bear the standard Community Emblem and include the following words “the European Agricultural Fund for Rural Development: Europe investing in rural areas”. It must also display the DARD and RDP logos.
- (iii) Any overpayment of grant must be repaid to DARD following receipt of DARD’s first demand or upon you becoming aware that grant has been overpaid, whichever occurs first.
- (iv) You must keep all original documents (including tenders, quotations and invoices) relating to the project until 31 December 2021 (or such a date as may be specified by the European Commission).
- (v) A spot check may be carried out on your project. You must allow officials from DARD, the Northern Ireland Audit Office or the European Commission to inspect the project or documents related thereto (which includes providing access to computers on which electronic data is stored and providing copies of information requested) at any reasonable time after an award of grant.

D. Monitoring and Evaluation of the Project

- (i) The Department will monitor the progress of your project and evaluate the outcomes following completion. You will be required to provide:-
- regular updates on its progress;
 - a report on the performance of the project after its completion - This will focus on the activities which have been undertaken, number of employees, a statement on the financial performance of the business, the progress made in achieving its targets and any other monitoring data required. If your project did not meet a particular target you will be asked to explain why and the implications it had for the project.

- (ii) If required, to assist with an evaluation of the Scheme, or the collation of monitoring data, you must provide any information requested within a reasonable timeframe. In this respect your name and address may be passed (in confidence) to independent researchers commissioned to undertake such work.

How To Claim

- 44. You must have a “Business DARD ID” number to allow for payment of financial assistance under the Scheme. For the purposes of the Scheme, you (where applicable) may use your existing DARD Business ID number. In these circumstances any payment of grant will be credited to the bank account associated with the existing DARD Business ID number. If you do not wish to use your existing DARD Business ID number for the purposes of the Scheme then you will be required to apply for a DARD Business ID (CAT 2) number. In circumstances where you do not have a DARD Business ID number you will be required to make application for same. DARD will advise of the process.
- 45. Claim forms will be issued when an award of grant is confirmed. Claims will only be paid when DARD is satisfied that the relevant expenditure has taken place and that the work has been completed in line with the conditions of the award of grant. The checking of claims may involve an on site inspection.

Grant will be paid in arrears of expenditure. In general you may submit a maximum of three claims but DARD may accept more frequent claims to help with company cash flow.

- 46. All claims must be accompanied by original invoices showing any discount given and bank statements showing the transactions clearing the account. DARD will trace a selection of invoices on which claims are based through the books of accounts. In this respect all documentation relating to project expenditure should be clearly marked with a code e.g. the DARD project reference number.

The relevant documents to be annotated with a code are; procurement documentation, order and delivery documents, invoices, cheque journals and bank statements. Invoices should also be endorsed with the date paid and the cheque number or other payment reference number.

- 47. You should ensure that invoices in support of your claim relate only to the items on which the award of grant was based. If contractors do other work for you that is not related to the project, this should be invoiced separately.
- 48. Provided that there are no queries with your claim, DARD will aim to pay the grant within four weeks. Final payment of grant will depend on the result of an inspection after completion of the project. All payments will be made by electronic transfer to your bank account. DARD accepts no liability in respect of loss attributable to any delay in the payment of grant.

Variation Of Project

49. Where circumstances change or unanticipated factors arise, following the signing of a Letter of Offer, you may apply for variations to a project. However, you **must** obtain the approval of DARD before implementing any variations to an approved project.

Penalties

50. Regulations 11 to 16 of the Agricultural and Forestry Processing and Marketing Grant Regulations (Northern Ireland) 2007 set out penalties which may be imposed should you breach the conditions of an approval of grant. Failure to meet the conditions of grant could result in the cancellation of your award of grant and/or recovery of any grant already paid (plus interest on the sum recovered) or a reduction in the amount of grant payable. The Regulations also create offences in respect of the furnishing of false information for the purpose of obtaining financial assistance and in respect of obstruction.

ANNEX A

LEGISLATION

This Brochure is only a guide for the Agricultural and Forestry Processing and Marketing Grant Scheme and does not represent an interpretation of the legislation - only the courts can rule authoritatively on such matters. It is recommended that you consider the legislation before applying. The relevant Regulations are:

- Council Regulation (EC) No. 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ No. L277, 21.10.2005, p.1).
- Commission Regulation (EC) No. 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No. 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ No. L368, 23.12.2006, p.15).
- Commission Regulation (EC) No. 65/2011 of 27 January 2011 laying down detailed rules for the implementation of Council Regulation (EC) No.1698/2005, as regards the implementation of control procedures as well as cross-compliance in respect of rural development support measures (OJ No. L25, 28.01.2011, p.8).
- Council Regulation (EC) No. 1290/2005 of 21 June 2005 on the financing of the common agricultural policy (OJ No. L209, 11.8.2005, p.1).
- Commission Regulation (EC) No. 885/2006 of 21 June 2006 laying down detailed rules for the application of Council Regulation (EC) 1290/2005 as regards the accreditation of paying agencies and other bodies and the clearance of the accounts of the EAGF and the EAFRD (OJ No. L171, 23.6.2006, p.90).
- Commission Regulation (EC) No. 1481/2006 of 6 September 2006 laying down form and content of the accounting information to be submitted to the Commission for the purpose of the clearance of the accounts of the EAGF and EAFRD as well as for monitoring and forecasting purposes (OJ No. L276, 7.10.2006, p.3).
- Commission Regulation (EC) No. 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises (OJ No. L10, 13.1.2001, p.33).
- Commission Regulation (EC) No. 1857/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises active in the production of agricultural products and amending Regulation (EC) No. 70/2001 (OJ No. L358, 16.12.2006, p.3).
- Commission Regulation (EC) No. 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid (OJ No. L 302, 1.11.2006, p.29).
- State Aid N 673/2006 – United Kingdom Regional aid map 2007-2013.

- Commission Regulation (EC) No. 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid (OJ No L379, 28.12.2006, p.5).
- Commission Decision of 27 September 2007 approving the Northern Ireland Rural Development Programme – C (2007) 4411 final.
- Agricultural and Forestry Processing and Marketing Grant Regulations (Northern Ireland) 2007 (S.R. 2007 No. 418).
- Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises.

ANNEX B

EXCLUSIONS

The following investments are excluded:

- (with the exception of forestry applications) projects where the end product is not within the list of primary agricultural products as defined in Annex 1 to the Treaty of Rome and / or the end product does not have an edible preparation classification in the HM Revenue and Customs Tariff;
- enterprises in difficulty within the meaning of the Community guidelines on State Aid for rescuing and restructuring firms in difficulty;
- projects receiving other public/EU support;
- research based projects;
- projects to eradicate animal disease;
- projects to promote agricultural/forestry products;
- investments which are upgrades purely to meet statutory requirements;
- projects relating to intervention stores;
- projects involving processing at retail outlets (for example, bakery, vegetable and butcher shops) where the food processing takes place on the shop premises;
- projects relating to normal farm-based production and storage activity;
- projects relating to the processing and marketing of products which imitate or substitute for milk and milk products;
- cold stores except where part of the normal processing operation;
- slaughtering facilities for pigs, cattle, sheep or poultry unless equivalent capacity is abandoned or a shortage of capacity in the sector is proven;
- projects relating to farm animal feed production;
- projects to replace items grant-aided in the previous 5 years;
- projects commenced before receipt of written approval from DARD.

ANNEX C

Items Not Eligible For Grant - The following items or areas of expenditure are not eligible for grant aid.

- (a) purchase of land and/or buildings;
- (c) equipment subject to outstanding hire purchase or leasing arrangements at project completion;
- (d) simple replacement items or items which are replacements under an insurance claim;
- (e) recreational equipment;
- (f) vehicles for external transportation (forklift trucks or similar vehicles used for internal transportation and handling are eligible);
- (g) harvesting equipment which is part of a normal farm-based activity;
- (h) costs related to the transfer and installation of existing plant and equipment;
- (i) repair, maintenance and running costs (including consumables which are normally written off within a year);
- (j) overheads including own labour;
- (k) marketing costs not related to the processing of the product e.g. design and/or promotional costs.
- (l) interest and service charges arising from hire purchase, leasing and credit arrangements;
- (m) value added tax on eligible project costs except where it cannot be reclaimed from HM Customs and Excise;
- (n) financial charges (e.g. bank charges, costs of arranging loans, foreign exchange commissions, costs of guarantees, insurance charges etc);
- (o) office equipment used for general administration purposes (e.g. office furniture, telephones (including installation), computers, laptops, printers etc).
- (p) contingency sums
- (q) anaerobic digesters
- (r) equipment for the harvesting and extraction of forest material

Important: if your project does include ineligible items the cost of these must not be included in any claim for grant.

ANNEX D

REPRODUCTION OF ANNEX 1 TO THE TREATY OF ROME (as amended)

Important: this annex is a *basic guide* to the commodities classified as primary agricultural products. Formal classification is given in a detailed Commission Regulation (current Regulation EC 2031/2001).

Number in the Brussels Nomenclature	Description of products (1)
Chapter 1	Live animals
Chapter 2	Meat and edible meat offal
Chapter 3	Fish, crustaceans and molluscs
Chapter 4	Dairy produce; birds' eggs; natural honey
Chapter 5: 05. 04	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof
Chapter 5: 05. 11	Animal products not elsewhere specified or included; dead animals of Chapter 1 or Chapter 3, unfit for human consumption
Chapter 6	Live trees and other plants; bulbs, roots and the like, cut flowers and ornamental foliage
Chapter 7	Edible vegetables and certain roots and tubers
Chapter 8	Edible fruit and nuts; peel of melons or citrus fruit
Chapter 9	Coffee, tea and spices, excluding mate (heading No 09.03)
Chapter 10	Cereals
Chapter 11	Products of the milling industry, malt and starches; gluten; inulin
Chapter 12	Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial or medical plants; straw and fodder
Chapter 13: 13.02.20	Pectin
Chapter 15: 15.01 15.02 15.03	Lard and other rendered pig fat; rendered poultry fat Unrendered fats of bovine animals, sheep or goats Lard stearin, oleostearin, lard oil, oleo-oil and tallow oil, not emulsified or mixed or prepared in any way
15.04	Fats and oils, of fish and marine mammals, whether or not refined
15.07 – 15.15	Fixed vegetable oils, fluid or solid crude, refined or purified
15.16	Animal or vegetable fats and oils, hydrogenated, whether or not refined, but not further prepared
15.17	Margarine, imitation lard and other prepared edible fats
15.22	Residues resulting from the treatment of fatty substances or animal or vegetable waxes
Chapter 16	Preparations of meat, of fish, of crustaceans or molluscs

Number in the Brussels Nomenclature	Description of products (1)
Chapter 17: 17.01 17.02 17.03	Beet sugar and cane sugar, solid Other sugars, sugar syrups; artificial honey (whether or not mixed with natural honey); caramel Mollasses resulting from the extraction of refining of sugar
Chapter 18: 18.01 18.02	Cocoa beans, whole or broken, raw or roasted Cocoa shells, husks, skins and waste
Chapter 20	Preparation of vegetables, fruit, nuts or other parts of plants
Chapter 22: 22.04 22.06 22.07 – 08 22.09	Wine of fresh grapes; grape must, with fermentation arrested by the addition of alcohol Other fermented beverages (for example, cider, perry and mead) Ethyl alcohol or neutral spirits, whether or not denatured, of any strength, obtained from agricultural products listed in Annex 1 to the Treaty, excluding liqueurs and other spirituous beverages and compound alcoholic preparations (known as `concentrated extracts`) for the manufacture of beverages Vinegar and substitutes for vinegar
Chapter 23	Residues and waste from the food industries; prepared animal fodder
Chapter 24: 24.01	Unmanufactured tobacco, tobacco refuse
Chapter 45: 45.01	Natural cork, unworked, crushed, granulated or ground; waste cork
Chapter 53: 53.01 53.02	Flax, raw or processed but not spun; flax tow and waste (including yarn waste or garneted stock) True hemp (<i>Cannabis sativa</i>), raw or processed but not spun; tow and waste of true hemp (including pulled or garneted stock)

Annex E: A guide to the items to be covered in a Business Plan

Background Information

Your business plan should cover a 3 year timeframe

Provide a summary of the company origins and history, highlighting significant events in its development. What are the current activities of the business, main locations, product types, employment levels and geographical markets.

What features distinguish your business from other companies in your industry and what is the impact these features may have on the purchasing decisions of ultimate customers.

Provide an outline of the project covering the rationale for it, the effect on products, the manufacturing process, future levels of employment and the relationship with any existing activities.

Strategic Objectives

The business plan should clearly explain the context of the company's overall business strategy and summarise this strategy in terms of corporate objectives, priorities and goals and explain how the project contributes to its achievement.

Marketing

Marketing Data:

To understand the markets in which you operate, we need data about the company's overall size and growth for the last three years together with expectations for the next three years.

A sales analysis of major product types, by both volume and value, for the past three years and for three projected years should be included for each product or geographic target market.

Current and target market shares should be highlighted and if you are projecting increasing market share your reasons for projecting this increase should be explained.

Provide details of the major competitors in each market and their relative weaknesses and strengths. What advantages may they have over you and what potential problems may arise for them?

Customers:

This information allows us to assess the breadth of your customer base and the impact on your company should a major customer switch to a competitor. You should demonstrate that you can retain these customers in the face of competitor pressure.

What is the most important factor that makes a customer buy from you rather than a competitor? Is it quality, service, price, brand name etc.? How secure is this 'competitive advantage'?

During the appraisal, and with your permission, DARD or INI may contact some of your customers to seek their opinion on how you compare with your competitors.

Marketing Strategy and Organisation

It is important for us to obtain a detailed understanding of how you currently, and will potentially, market and sell your product. To gain this understanding, you will need to identify clearly your key marketing objectives and how you propose to achieve these. We will also need details of how your sales force will be organised, for example, will there be a dedicated sales force on fixed salaries or will commission agents be used? What marketing expenditure has been incurred in the last three years; how much is projected to be spent in the next three years and in what areas?

New Product or Process Development

How important is product and process design and development in the business? Outline any ongoing activity in these areas indicating clearly the resources allocated to it. Ideally you should include a strategic R&D plan for the next three years. This should include an indication of the projects likely to emerge over that period and an indication of the resources that could be involved.

Production Process

Provide a clear description of the existing products, premises and production processes and an indication of any impact which your project could have on the environment. Where the project centres around the development or introduction of a new product or process, as much technical detail as possible should be included together with reference to any applicable patents.

Detail the actual and potential capacity of the plant and premises and where bottlenecks might arise in the production system as sales increase.

Highlight, for example, the need for additional machinery or factory space and the requirements for further skilled labour.

Capital Expenditure and Implementation

Explain your factory or office requirements. You should detail the size of the buildings necessary and their specifications especially any specific needs, such as for water, electricity supply or provision of clean room facilities.

Also, what capital equipment is required and when? What is its purpose? What impact will the capital expenditure have on available capacity levels and efficiencies?

You should include or have available, an itemised list of the new equipment together with estimated costs or quotations. In the case of a start up operation, provide an implementation timetable showing the dates of key activities and events leading to the achievement of projected volumes. Such a plan should also include contingencies in the event of possible delays.

Production Inputs

Provide details of projected employment levels together with a recruitment schedule showing direct and indirect staff numbers, skills required and wage rates. Have you

considered the availability of skilled labour for your project and any necessary training?

It is important that we understand your supplier relationships. What are the main raw materials? Are these sourced locally or imported, and are essential raw materials dual sourced?

What efficiencies and wastage levels are currently being achieved and are projected by the company? For the main raw materials you should comment on the stability of raw material prices and the impact of possible fluctuations.

Finally you should provide details of the unit cost of production by product type.

Management and Control

Shareholders and Management

One of the most important factors in any company's ability to succeed lies with the capability of its management to provide leadership and direction and to train and motivate staff. It is important therefore that we fully understand the structure, style and any proposed developments of the management team. Information which should be provided in this regard includes: organisation charts showing the key positions and the CVs for those personnel occupying these positions; responsibilities and relationships; details of the company's current recruitment and training practices and succession plans; and details of key management development issues arising out of the company's plans for the future.

In this section you should also include details of any proposed changes to management, for example, in terms of structure, roles and relationships (identifying key functions and positions which have not yet been filled satisfactorily).

Details of all shareholdings in the company should be provided and where senior management has other personal business interests, these should be highlighted. Where the Northern Ireland company forms part of a group, then a group organisation chart should be provided showing all the companies in the group and their linkages through to the ultimate holding company.

Management Information System

Briefly describe the current or proposed management information system. This should include comment on the adequacy of the accounting, costing, budgetary, production control, sales and other systems which provide regular information to assist management in their decisions.

Organisational Development and Training

Summarise what you consider to be the key training and development issues in the organisation and how you plan to address them. This should include an explanation of how this might differ from the current approach to training and development. You should provide the name of person with responsibility for training, a brief description of how the company intends to address its training requirements, the outcomes expected, highlighting the major benefits anticipated and how they may be measured, estimate of the costs to be incurred, differentiating between internal and external costs and expected start date for the training and estimated time to completion.

Historical and Projected Financial Performance

Your business plan should include:

- audited accounts for the company (and group if appropriate) for the last three years and management's accounts for the period since the last audited accounts;
- a commentary on the performance over this period including explanations for significant fluctuations or extraordinary items;
- financial projections, excluding government grants, comprising profit and loss accounts, balance sheets and cash flows prepared on a monthly basis. Break Even analyses and Ratio Analyses should also be provided. The projections should be prepared for the period of the project plus at least one additional year. The reason for this is to ensure that projections reflect at least one year in which the project is mature (this will normally result in a three year planning period). The cash flows are particularly important to assess the peak funding requirement and therefore structure grant assistance;
- the detailed assumptions on which the forecasts are based (any assumptions that are not consistent with historical trends should be clearly explained; this particularly applies to the gross margin);
- sales forecasts divided by product type clearly indicating volume and price; and

If you have already undertaken sensitivity analysis include a summary of the results.

Funding of the Project and Company

Indicate the proposed sources and nature of funds for the project, for example, promoters/ shareholders, commercial banks etc. You will be expected to provide evidence that you have exhausted all other sources of finance. Details of any proposed investment other than by cash (for example, development work or patents) should be fully explained and supporting information provided.

Measurement of Performance

It is important that management has a series of yardsticks or performance indicators to help assess how the company is performing and how the business plan is being implemented. You should indicate the key performance indicators by which management proposes to monitor the progress of the project.

Summary of the Proposal

Highlight the key aspects of the business plan explaining, for example, how it is expected to improve the company's competitive position, increase profitable export sales, strengthen the company's financial position etc. All information provided to Invest NI and DARD in a business plan will be treated in the strictest confidence.

Annex F - Purchase of Second Hand Equipment

1. Cost / Value for Money

In determining whether the cost of second-hand equipment is better value for money you must

Obtain a quote for the cost of the new piece of equipment as set out in the Letter of Offer. This quote ***must be for the same make/model/manufacture*** as the second-hand equipment that you are considering purchasing.

If the equipment is no longer available for purchase (old model) then you must either

- Obtain a letter from the manufacturer or supplier advising on the cost of the equipment when it was available in the market place – or:
- Obtain a quotation for a piece of equipment of a similar specification.

2. Market Value

In determining the market value of the plant / equipment you must demonstrate that the purchase does not exceed the market value. This can be calculated as follows:-

Example – where a new piece of equipment costs £70,000 straight line depreciation over 7 years would give an annual depreciation of £10,000. Therefore the market value of a 1 year old piece of equipment would be £60,000, a 2 year old piece of equipment £50,000 and so on.

Should you dispute the market value assessed by the above method, you may obtain, at your own expense, an independent valuation from a competent engineer – or:

Obtain a quotation for a piece of equipment of a similar specification.

You will be required to submit this to the Department at claim stage for consideration.

3. Assurance relating to previous ownership and reliability of equipment.

You must obtain from the seller a written note stating the origin of the equipment and confirmation (to the best of their knowledge) that at no point during the previous 7 years has the equipment been purchased with EU or National funds. Please contact the Department for the declaration form to be completed by sellers; and

You should ensure that any asset purchased second-hand continues to work for at least 5 years to meet the 5 year asset durability test. This is a condition of grant in the Letter of Offer.

4. Submitting a claim for payment

When submitting a claim for payment you will be required to:

Provide a quote for the purchase of the equipment as new (note 1 above refers).

Demonstrate that the cost of the plant / equipment does not exceed the market value (note 2 above refers) and

Provide a written assurance from the supplier that the equipment was not grant-aided (to the best of their knowledge) with EU or National funds in the previous 7 years (note 3 above refers).

PLEASE REMEMBER THAT THE PURCHASE OF SECOND HAND EQUIPMENT RELATES ONLY TO PLANT AND EQUIPMENT LISTED IN THE LETTER OF OFFER.