

Measure 103 Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards.

This measure is applied in accordance with:

- Article 12 (2) of Framework Regulation – Council Regulation (EC) No 1085/2006 [Establishing an instrument for pre-accession assistance (IPA)]
- Article 176 of Commission Regulation (EC) No 718/2007 of 12 June 2007 [Implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)]

1.1 Rationale

The measure aims to improve the processing and marketing conditions for agricultural products in order to fulfil the EU requirements (hygiene, food safety, quality, environment, animal welfare etc.) and to contribute to implementation of the National Programme of Adoption of the EU Acquis (NPAA).

One of the priorities of the NPAA is to adjust the agro-food sector, in particular the milk, meat, fruit and vegetable processing industries to the veterinary, sanitary and food safety standards of the EU.

Currently only very few enterprises meet EU requirements for hygiene, food safety, quality and environmental standards. As a result of harmonisation of the country's legislative acts related to the so-called “*heavy Acquis*”, considerable capital expenditure is required to upgrade plants to the EU standards. Lack of capital prevents enterprises from undertaking investment projects necessary in the context of the EU integration.

Particularly, support for this measure is destined to improve the performances of agro-food production from the point of view of quality standards with respect to rationalisation of the installed capacities, their efficient use and to eliminate the supply chain malfunctions, manifested on specific markets, namely:

- the supply chain linkages are weak and burdened with intermediaries especially in the fruit and vegetable sector;
- despite the unused installed capacity the continuous degradation of productive equipment and a high degree of depreciation of the existing units that do possess neither high performance processing equipment nor competitive capacities, at the level of Community standards, capable to assure the production quality and control;
- lack of equipment in the endowment of food industry establishments, for the evacuation of waste water and residual products that do not allow sufficient protection of the environment, and the insufficient endowment with laboratories and with equipment to measure and control the products quality;

- weak diversification of agro-food products, according to the EU quality standards, although the consumers' requirements claim for an improvement of the range of processed products.

The utilized capacity for processing and marketing decreased substantially during the transition period. The agro-processing industry is jeopardised by seasonality and un-utilised installed capacities on the other hand. Despite the existence of excess capacity, the part of the existing capacity consists of old buildings and obsolete machines and absence of finalisation equipment for value added products.

Due to lack of statistical and market research data it is rather difficult to measure the total production of the processing capacities and their domestic market share. However, the intention is not to increase the production after the implementation of the program but to support the production, processing and marketing of high quality products, compliant with the rules for food safety, health and environmental protection.

This measure covers capital grant schemes aimed at the improvement of processing and marketing in the following sectors: milk and dairy products, meat and meat products with particular focus on the slaughtering lines improvement, fruit and vegetables and wine. These sectors have been selected on the basis of their export performance on the one hand, and the necessity to bring them in line with harmonized National legislation concerning hygiene, veterinary and sanitary standards, on the other.

Following the approximation process, obsolete enterprises will be closed on recommendation of the National Veterinary Service. An assessment of the compliance of the existing establishments is to be performed by the Veterinary Directorate prior to 'conferral of management' and implementation of this Programme. The assessment will point out the necessary interventions for achieving the food and hygienic standards within a transition period or to be closed down.

According to the sector studies, for each sector, part of the utilized capacity must be improved. Part of the improvement will concern reconstruction and modernization of the existing processing plants and another part – building of new ones. They will substitute the old enterprises on the basis of analysis and researches. For the improvement of the products' quality, laboratories for internal quality control within the entities will be necessary as well as improvement of the overall traceability system and management of control systems within the processing enterprises.

Concerning the strengthening of the supply chains, the establishment and modernisation of collection centres is envisaged to be supported especially for raw milk collection and for fruit and vegetables.

1.2 Correlation with other measures

Within this Programme this measure complements the implementation of the measure "Investments in agriculture holdings to restructure and to upgrade to

Community standards" and measure under Priority axis 3 "Diversification of the economic activities in the rural areas".

The Measure 103 also complements to the national support scheme through the Programme for Rural Development, SME support policy as well as corresponding linkage to other donor support and IFI's. Related national policies, donor and IFI's activities are described in full in Part II.

The IPARD Agency will ensure that all beneficiaries are checked whether they receive funds from other IPA programs, or Community assistance or any foreign donor grant scheme or IFI's that are proposed for financing under IPARD Programme. The IPARD Agency will not accept applications for projects that are financed from any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI's . The IPARD Agency is obliged to check whether the project received is financed from other sources (any other IPA programs, or Community assistance or any foreign donor grant scheme or IFI's) at two stages:

- 1) prior to approval of project;
- 2) prior of approval of payment.

The IPARD Agency will assure that future double financing is avoided by stamping the received invoices for investment with clear "IPARD" stamp by an authorised official before being the subject of a payment from the IPARD Agency.

1.3 Objectives

1.3.1. General objectives

This measure is primarily aimed at facilitating the implementation of the Community standards, aimed at reducing of the major shortcomings, which characterise the agro-food industry in the country in advance to its accession to EU.

In addition this measure aims towards the National Agriculture and Rural Development Objectives:

- Upgrade to the Community Standards as regards environmental protection, public health (food safety and quality of products), animal and plant health, animal welfare and occupational safety.
- Improve the overall performance in the processing and marketing of primary agricultural products
- Contribute to the preparation of the country for its accession to the EU.
- Facilitate competition in the internal market by the introduction of new technologies and innovation
- Promote environmentally sound production practises (reduction of water losses, decreasing the pollution of the environment, and/or elimination of by- products or of wastes);

1.3.2. Specific objective

- To promote focused investments for strengthening the supply chain in the dairy and fruit and vegetable sub-sector through setting up or

modernisation of local collecting networks, of reception capacities, storing, conditioning, sorting and packing of agricultural products,

- To contribute towards improvement and optimisation of production flows, processing and marketing of agricultural products, in terms of investment in modernisation of the existing production technologies to improve the product quality, marketing of products and improvement of the environmental standards.
- To promote investments for modernisation of certain operations in the slaughter sector and wine production, for investment in modernisation of the technological lines and equipment and quality control systems.
- To support investments aimed at adjustments to Community standards for the establishment as whole;
- To promote investments aimed at decreasing negative impact on the environment.

1.4 Priority sectors and the type of eligible investments

By the Government Decision of 25th of July, 2006, the targeted priority agriculture sectors are identified to be supported under the Priority Axis 1 measures. These are wine and grapes, fruits and vegetables, milk and dairy and meat and meat products.

In the framework of this measure, financial support shall be granted for investments in private agriculture processing establishments, for ensuring the rationalisation of the installed capacities and reorientation of the production for a increasing of the quality of the products resulted from the application of competitive technologies and which may also limit the pollution on the environment.

An enterprise is an economic unit of production, under single management, that independently directs and manages all the functions needed to carry out production activities. An enterprise may engage in more than one type of activity and may have its operations in more than one location. Enterprises may be corporations, government institutions or other units, including households.

An establishment is an enterprise or part of an enterprise situated in a single location and primarily engaged in a single type of production activity. Any secondary activity should be on a small scale. An enterprise that is engaged in growing crops as well as processing the crops on a significant scale is considered as two establishments, corresponding to the two types of activities

The investments per priority sectors broadly cover costs for improvement and optimisation of production flows in processing and marketing of agricultural products; setting up or modernisation of local collecting networks, of reception capacities, storing, conditioning, sorting and packing of agriculture products covered by Annex 1 to the Treaty in the sectors mentioned above.

For all above mentioned sectors, the investment type that can be financed refers to:

- Medium-sized milk processing establishments and fruit and vegetable processing establishments to establish collection centres or modernise the existing ones for raw milk and fresh fruit and vegetable respectively, to improve the supply chain and the quality of the raw materials;
- Specialised small-size milk processing establishments to modernise their dairy product manufacturing lines with new updated technological production capacities (excluding powder milk and butter production);
- Small size fruit and vegetable processing establishments to improve the quality control system and marketing;
- Technological improvement of the cattle, pig and poultry slaughter establishments to bring them in full compliance to Community standards;
- Setting up new slaughter capacity for poultry in full compliance to Community standards and modernisation of existing ones towards full compliance to Community standards;
- Investments aimed at decreasing negative impact on the environment in meat processing establishments and slaughterhouses (waste and water treatment) including technology for valorisation of organic waste obtained in the slaughtering and meat cutting process;
- Small size wineries to improve product quality with specific investments in wine finalisation technologies and marketing;

Per priority sector:

1031 Group of investments for Wine production

10311 Purchase of equipment for improvement of wine product quality:

Purchase of equipment for improvement of wine product quality (finalisation equipment for filtration, cold stabilisation etc.), equipment for monitoring and control system of reception, storage, processing and marketing channel of products, internal control (laboratory apparatus and placements for test laboratories and laboratory apparatus) and marketing of products, equipment for bottling (mobile bottling units), automatic labelling and packing, including software;

1032 Group of investments for Fruits and vegetables processing

10321 Construction and reconstruction of buildings for setting up and modernisation fruit and vegetable collection centres:

Construction and reconstruction of buildings for setting up fruit and vegetable collection centres including building installations and equipment for setting up collecting, reception, cooling and storage units for the fruit and vegetables, as well as the purchase of equipment for storing and cooling at collection points, specialised equipment for monitoring and control system, laboratory apparatus for quality control, traceability systems (bar-codes) and facilitation of compliance with environmental protection rules, waste handling, sustainable use of energy;

10322 Purchase of equipment for improving and modernisation of production technologies in fruit and vegetable processing

establishments: Purchase of equipment for improving and modernisation of production technologies in small-sized fruit and vegetable processing enterprises specialised equipment for monitoring and quality control system, laboratory apparatus for quality control, traceability systems (bar-codes) and marketing of products, automatic packaging and labelling equipment, and facilitation of compliance with environmental protection rules, waste handling storing including software.

1033 Group of investments for Milk and dairy

10331 Setting up and modernisation of milk collection centres: New investments in buildings and modernisation of the existing ones, building installations and equipment, for setting up and technological upgrading of collecting, reception, cooling and storage units for the milk as raw material, as well as the purchase of equipment for milk storing and cooling at collection points, specialised equipment for monitoring and control system of reception, collecting, processing and marketing channel of products, laboratory apparatus for quality control, transportation cooling tanks and investments to achieve compliance with environmental protection standards and sustainable use of energy;

10332 Investments in modernisation and technological upgrade of the dairy establishments with specialised production: Purchase of machinery, equipment, technology and technological lines (incl. software) aimed at bringing the dairy products' manufacturing in compliance with comprehensive market demand, quality control system implementation (monitoring and control system of processing and marketing channel of products), laboratory apparatus for internal product control, modern packing systems and investments to achieve compliance with environmental protection standards and sustainable use of energy.

1034 Group of investments for Meat products

10341 Establishment of slaughter capacity for poultry: New investments in buildings and equipment, for establishment of slaughter capacity for poultry including installations and equipment for improvement of animal welfare standards in slaughterhouses and investments to achieve compliance with environmental protection standards for waste and water treatment and sustainable use of energy(including software);

10342 Modernisation and technological upgrading for the existing slaughter establishments for cattle, pig and poultry: Modernisation and technological upgrading for the existing slaughter establishments for cattle, pig and poultry including installations and equipment for improvement of animal welfare standards in slaughterhouses and investments to achieve compliance with environmental protection standards for waste and water treatment and sustainable use of energy (including software);

10343 Investments for decreasing negative impact on the environment in meat processing establishments and slaughter-houses: Investments for decreasing negative impact on the environment in meat processing establishments and slaughter-houses to achieve compliance with environmental protection standards for waste and water treatment and

investment in technology aiming at treatment of by-products obtained as a result of the slaughtering process for better valorisation of the organic waste i.e. offal, lard, blood, connective tissues.

1.5 Eligibility Criteria

1.5.1. Requirements for Application

General requirements

- 1) The applicant must submit an Application Form supported with a set of required documents.
- 2) The applicant must demonstrate prospect of economic viability at the end of realization of the investment through Business Plan. The calculation of the prospect of economic and financial viability of the applicant is according to the Methodology for assessing Business Plan.
 - In case of construction and/or reconstruction Technical documentation with construction/reconstruction plans must be prepared and submitted with the application-supplement to the Business Plan;
- 3) Investments in application must comply with the minimum national standards regarding the environmental protection, public health, animal and plant health, animal welfare and occupational safety at the time when then decision to grant support is taken (Relevant Legislation Listed in Annex 25).
- 4) By derogation from point (3), where national minimum standards based on Community standards have been newly introduced at the time the application is received, assistance may be granted regardless of non-compliance with those standard on the condition that the establishment shall meet the new standards by the end of the realisation of the investment.
- 5) Assistance shall be granted on the condition that the investments comply with the relevant Community standards as defined by article 170 (1) of Commission Regulation (EC) No: 718/2007 of 12 June 2007 [Implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)] at the end of the investment:
- 6) The applicant must have no outstanding liabilities against state in terms of fiscal obligations, financial obligations to the health, social and pension insurance fund as well as no outstanding financial obligations to MAFWE based on contractual arrangements;
- 7) The applicant must prove that he/she is the owner of the building or has rent or concession contracts for the building of minimum 5 years in case of other type of investments, which do not imply construction

works; In case of investments which apply construction works, specific requirements apply;

- 8) The applicant must prove the ability to provide private contribution for the investment;
- 9) The Applicant must assure compliance of the project with the Local Development Strategy of the concerned Municipality where the investment is located. If the Municipality has not yet adopted Local Development Strategy by the time of submitting application for grant, the Applicant shall elaborate within the Business Plan the prospects of the investment for the local development of the concerned Municipality where the investment is located.

Specific requirements

**Priority sector 1031 Wine production: Group of investments 10311
Purchase of equipment for improvement of wine product quality:**

- 1) The project must be targeted towards investment in terms of improvement of the existing wine processing capacities to improve the finalisation process of the wine thus improving the wine quality and to improve the marketing processes of the wine production, whilst meeting the Community standards;

Priority sector 1032 Fruit and Vegetable Processing: Group of investments 10321 Construction and reconstruction of buildings for setting up fruit and vegetable collection centres:

- 1) The applicant must provide assurance within the project that the investment will secure full compliance of the establishment with Community standards;
 - The applicant must obtain a document from the Food Directorate confirming that all mandatory national minimum standards are respected and the relevant Community standards are respected within the project proposed by the applicant;
 - In case of new investments, the applicant must obtain a document from the Food Directorate confirming that all mandatory national minimum standards and that the relevant Community standards applicable to the investment/ establishment are respected prior to approval of payment;
- 2) The applicant must provide contracts with fruit and vegetable farmers (at least annual contracts) to justify the sustainability of the project and the utilisation of the installed capacity; In case where agriculture cooperative is establishing collection centre supply contracts with processing enterprises distributors, traders or supermarket chains must be provided;
- 3) The capacity of the collection centre in tons must have minimum annual capacity of 500 tones to maximum 3,000 tones;
- 4) The project must be complemented with feasibility study to be submitted as a supplement to the Business Plan;

- 5) In case where the applicant is renting the building/s which are subject to construction investment, he/she has to prove the right to use it for a minimum of 10 years; In case of investments in new building construction the Applicant must prove ownership of the land (construction site);

Priority sector 1032 Fruit and Vegetable Processing: Group of investments 10322 Purchase of equipment for improving and modernisation of production technologies in fruit and vegetable processing establishments:

- 1) The project must be targeted towards investments in production line in terms of improvement of the single production activity (i.e. preserving/pasteurising of fruit and vegetable, freezing, drying tunnels etc.; excluding the fruit juices and jams production lines) in fruit and vegetable processing establishments and product innovation in terms of introduction of new production technologies and marketing equipment meeting the Community standards:
 - In case where the project concerns modernisation and technological upgrade of a single production activity for a specialised fruit and vegetable processing line, the investment must be in compliance with the Community standards;
 - The applicant must obtain a document from the Food Directorate confirming that all mandatory national minimum standards are respected and the relevant Community standards are respected within the project proposed by the applicant;

Priority sector 1033 Milk Processing and Dairy Products: Group of investments 10331 Setting up and modernisation of milk collection centres:

- 1) The applicant must provide assurance within the project that the investment will secure full compliance of the establishment with Community standards;
 - The applicant must provide assurance within the project that the investment will secure full compliance of the establishment with Community standards by obtaining a List of necessary investments to achieve or upgrade to Community standards from the Veterinary Directorate, subsequent to their assessment and include it in the Business Plan proving the targeting of proposed investment;
 - In case of new investments, the applicant must obtain a document from the Veterinary Directorate confirming that all mandatory national minimum standards and that the relevant Community standards applicable to the investment/ establishment are respected prior to approval of payment;
 - As soon as the assessment of all food establishments in the country has been carried out and a classification of all food establishments by category based on the EU Acquis has been prepared, the applicant must demonstrate that the establishment is listed in the national plan upgrading establishments to Community standards elaborated by

Veterinary Directorate. To ensure traceability, the register number provided to the establishments during the assessment process should be kept or referred to during the IPARD project phase as well as linked to the EU export number if subsequently awarded

- 2) The applicant must provide contracts with dairy farmers (at least for annual contracts) to justify the sustainability of the project and the utilisation of the installed capacity; In case where agriculture cooperative is establishing collection centre supply contracts with milk processing establishments must be provided;
- 3) The capacity of the collection centre must have minimum capacity of 1,500 l. per day to maximum 30,000 l. per day;
- 4) The project must be complemented with feasibility study to be submitted as a supplement to the Business Plan;
- 5) As regards specifically investments in the milk sector with total eligible costs of the investment below or equal 400.000 euros, the investment must comply with EU standards, and in particular those specified in Regulation (EC) No 853/2004, Annex III, Section IX Chapter I, Raw milk primary production. However, the criteria stated in Regulation (EC) No 853/2004, Annex III, Section IX Chapter I, part III, point 3 (plate count and somatic cells), shall be considered as an aim to be reached and not as a precondition;
- 6) As regards specifically investments in the milk sector with total eligible costs of the investment above 400.000 euros, the establishment must comply with EU standards, and in particular, those specified in Chapter I raw milk – primary production of Section IX of Regulation (EC) No 853/2004 with the exemption of sub-section III Criteria for raw milk primary production. However, the criteria stated in Regulation (EC) No 853/2004, Annex III, Section IX Chapter I, part III, point 3 (plate count and somatic cells), shall be considered as an aim to be reached and not as a precondition.
- 7) In case where the applicant is renting the building/s which are subject to investment, he/she has to prove the right to use it for a minimum of 10 years; In case of investments in construction of new buildings the Applicant must prove ownership of the land (construction sight);

Priority sector 1033 Milk Processing and Dairy Products: Group of investments 10332 Investments in modernisation and technological upgrade of the milk processing establishments with specialised production

- 1) The project must be targeted towards investment in terms of improvement of the single production activity (i.e. cheese or fermented milk or spreads etc. excluding milk powder and butter production lines) in milk processing establishments and product innovation in terms of introduction of new production technologies and marketing equipment meeting the Community standards:
 - In case where the project concerns modernisation and technological upgrade of a single production activity for a specialised dairy product

line, the investment must be in compliance with the Community standards;

- The applicant must obtain a document from the Veterinary Directorate confirming that all mandatory national minimum standards are respected and the relevant Community standards are respected within the project proposed by the applicant;

**Priority sector 1034 Meat Products: Group of investments 10341
Establishment of slaughter capacity for poultry:**

- 1) The investment in a construction of the new poultry house must bring the whole slaughter house in full compliance with the Community standards at the end of investments;
 - The applicant must provide assurance within the project that the investment will secure full compliance of the establishment with Community standards by obtaining a List of necessary investments to achieve or upgrade to Community standards from the Veterinary Directorate, subsequent to their assessment and include it in the Business Plan proving the targeting of proposed investment;
 - In case of new investments, the applicant must obtain a document from the Veterinary Directorate confirming that all mandatory national minimum standards and that the relevant Community standards applicable to the investment/ establishment are respected prior to approval of payment;
 - As soon as the assessment of all food establishments in the country has been carried out and a classification of all food establishments by category based on the EU Acquis has been prepared, the applicant must demonstrate that the establishment is listed in the national plan upgrading establishments to Community standards elaborated by Veterinary Directorate. To ensure traceability, the register number provided to the establishments during the assessment process should be kept or referred to during the IPARD project phase as well as linked to the EU export number if subsequently awarded.
- 2) The project must envisage investments in achieving the animal welfare and environmental protection standards in terms of waste and water treatment for the whole establishment in particular;
 - As regards specifically investments in the meat sector with total eligible costs of investment below or equal 400.000 euros, the investment must comply with EU standards, and in particular those specified in Regulation (EC) No 853/2004, Annex III, Section II: meat from poultry and lagomorphs, Chapter II: requirements for slaughterhouses, Chapter III: requirements for cutting plants, Chapter IV: Slaughter Hygiene, Chapter V: hygiene during and after cutting and boning;
 - As regards specifically investments in the meat sector with total eligible costs of investment above 400.000 euros, the establishment must comply with EU standards, and in particular, those specified in Regulation (EC) No 853/2004, Annex III, Section II: meat from poultry and lagomorphs, Chapter II: requirements for slaughterhouses,

Chapter III: requirements for cutting plants, Chapter IV: Slaughter Hygiene, Chapter V: hygiene during and after cutting and boning;

- 3) The investment must envisage slaughtering capacity for poultry of minimum 10.000 to maximum 30.000 broilers per day;
- 4) In case where the applicant is renting the building/s which are subject to construction investment, he/she has to prove the right to use it for a minimum of 10 years; In case of investments in construction of new buildings the Applicant must prove ownership of the land (construction sight);

**Priority sector 1034 Meat Products: Group of investments 10342
Modernisation and technological upgrading for the existing slaughter
lines for cattle, pig and poultry:**

- 1) In case where the project concerns modernisation and technological upgrade of the existing slaughtering establishment, the investment must bring the establishment in full compliance with the Community standards;
 - The applicant must provide assurance within the project that the investment will secure full compliance of the establishment with Community standards by obtaining a List of necessary investments to achieve or upgrade to Community standards from the Veterinary Directorate, subsequent to their assessment and include it in the Business Plan proving the targeting of proposed investment;
 - The applicant applying for investments must provide as obligatory part of the application, a document from the Veterinary Directorate confirming that all mandatory national minimum standards are respected and that the relevant Community standards applicable to the investment/establishment as proposed in the project are respected at the end of the investment.
 - As soon as the assessment of all food establishments in the country has been carried out and a classification of all food establishments by category based on the EU Acquis has been prepared, the applicant must demonstrate that the establishment is listed in the national plan upgrading establishments to Community standards elaborated by MAFWE Veterinary Directorate. To ensure traceability, the register number provided to the establishments during the assessment process should be kept or referred to during the IPARD project duration as well as linked to the EU export number if subsequently awarded.
- 2) The project must envisage investments in achieving the animal welfare and environmental protection standards in terms of waste and water treatment for the whole establishment in particular;
 - As regards specifically investments in the meat sector with total eligible costs of investment below or equal 400.000 euros, the investment must comply with EU standards, and in particular those

specified in Regulation (EC) No 853/2004, Annex III, Section II: meat from poultry and lagomorphs, Chapter II: requirements for slaughterhouses, Chapter III: requirements for cutting plants, Chapter IV: Slaughter Hygiene, Chapter V: hygiene during and after cutting and boning;

-As regards specifically investments in the meat sector with total eligible costs of investment above 400.000 euros, the establishment must comply with EU standards, and in particular, those specified in Regulation (EC) No 853/2004, Annex III, Section II: meat from poultry and lagomorphs, Chapter II: requirements for slaughterhouses, Chapter III: requirements for cutting plants, Chapter IV: Slaughter Hygiene, Chapter V: hygiene during and after cutting and boning;

- 3) In case where the applicant is renting the building/s which are subject to construction investment, he/she has to prove the right to use it for a minimum of 10 years; In case of investments in construction of new buildings the Applicant must prove ownership of the land (construction sight);

Priority sector 1034 Meat Products: Group of investments 10343 Investments for decreasing negative impact on the environment in meat processing establishments and slaughterhouses:

- 1) The applicant may submit a project which only concerns investments in achieving the environmental protection standards in terms of waste and water treatment for the whole establishment;
- 2) Only the slaughter-houses can submit project concerning purchase of technological equipment for treatment and valorisation of organic waste obtained through the slaughtering process, which investment must be accompanied with investments for waste and water treatment for the whole establishment.;

Note: Excluded from investment are

- establishments which already meet EU standards and are registered for export in the EU but maintaining the right to obtain support in all other components (establishments) of the enterprise where the required Community standards are not met;

1.5.2. Eligible Investments

- 1) All the investment provided for at Paragraph 1.4 – “Priority sectors and the type of eligible investments”
- 2) The eligible expenditures are:
 - (a) Construction of new buildings and installations and reconstruction of the existing ones. Eligible expenditure shall be limited to the construction or improvement of immovable property;
 - (b) The purchase of new machinery and equipment, including computer software up to the market value of the asset shall be considered as eligible..

- Co-financed new machinery and equipment must come from MS, CCs, potential CCs, countries benefiting from the "European Neighbourhood and Partnership Instrument" and other countries where reciprocal access to their external assistance has been established by the Commission [Article 19 of IPA Council Regulation (EC) No 1085/2006 Establishing an instrument for pre-accession assistance (IPA)]

(c) General costs linked to expenditure referred to in points (a) and (b), such as architects', engineers' and other consultation fees, feasibility studies, the acquisition of patent rights and licences shall be eligible up to a ceiling of 12% of the costs referred to in points (a) and (b) according to the following conditions:

- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) greater than € 3 million, the business plan preparation costs cannot be greater than 3% of the eligible expenditure of these investments;
- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) of at least € 1 million and no more than € 3million, the business plan preparation costs cannot be greater than 4% of the eligible expenditure of these investments; and
- for projects with eligible expenditure of the investments referred to in points (a), (b) and (c) less than € 1 million, the business plan preparation costs cannot be greater than 5% of the eligible expenditure of these investments.

The eligible expenditures are specified in the List of eligible Expenditures as accepted by the Commission.

3) Not eligible expenditures are those listed in Article 32 paragraph 4 of the Sectoral Agreement.

1.6 Selection Criteria

Priority shall be given to projects, which demonstrate the following criteria:

Table Selection Criteria for measure 103 (excluding measure 10343)

N	CRITERION	INDICATOR	Score if yes	Maximum points per criterion
1	Project objective	- if the investment aims at modernisation and technological upgrade of the existing capacities while closing down the obsolete capacities	30	30
- if the investments are aimed at setting-up collection centres for fresh fruit and vegetable or raw milk or poultry slaughterhouse		25		

		- if the investments aims at modernisation and technological upgrade of the existing capacities in terms of increase product quality	20	
2	Environmental protection	-if the investments are aimed at decreasing negative impact on the environment trough water purification stations	15	30
		- if investments are aimed at waste treatment and recycling whilst valorisation of by-products	15	
3	ed quality control of product	Investments for setting-up of laboratories or modernise the existing ones	15	25
		Investments in equipment for quality monitoring, control and traceability systems	10	
4	Contractual arrangements with individual agriculture producers	- for modernisation of existing establishments: Own supplies and contractual relationships with producers (at least annual contracts) covering at least 50% of the supplies	15	15
		- for new investments: Own supplies and contractual relationships with producers covering at least 50% of the supplies of raw materials for at least 1 year after the finalisation of the project.	10	
		TOTAL		100

The following ranking criteria will apply for selection of proposals which envisage investments for decreasing negative impact on the environment in meat processing establishments to achieve compliance with Community standards (10343):

Table: Ranking criteria for measure 10343.

N	CRITERION	INDICATOR	Score if yes	Maximum points per criterion
1	Project objective	- if the beneficiary is meat processing company	40	40
		- if the beneficiary is slaughterhouse	30	
2	Environmental protection	- If the beneficiary is connected to public sewerage	30	30
		- if the beneficiary is using septic tank for sewerage	20	

3	Support to women and young economic operators	Investment is proposed by women	15	30
		Investment is proposed by young economic operators (between 18 and 40 years)	15	
TOTAL			100	

In the process of selection, the eligibility criteria will be checked first. In case the application meet these requirements, the Business Plan will be assessed and future evaluation will be done according to the selection criteria laid down in the scoring table above, in order to be sure that the investment meets the objectives of the measure.

The process for approval of investments is according to the procedures of the IPARD Agency.

1.7 Beneficiaries

1.7.1. General definition of beneficiaries

Aid will be granted to economically viable legal entities registered according to Law on Trade Company (OG 28/04, 84/05, 25/07, 87/08), in the range of small and medium enterprises defined by the same Law (on condition that there is no share of the state in the ownership structure of the enterprise), registered in the VAT system according to VAT Law (OG 44/99, 59/99, 86/99, 11/00, 8/01, 21/03, 19/04, 33/06, 101/06, 114/07, 103/08), and are registered ,for relevant economic business related to food production in accordance with the Law on Food Safety and Products and Materials in Contact with Food (OG 54/02 and 84/07) and Law on Public Veterinary Health, (OG 114/07).

1.7.2. Description of Final beneficiaries:

Definition of small and medium enterprises according to Law on Trade Company (OG 28/04, 84/05, 25/07, 87/08)

- 1) Small enterprises are enterprises which in every of the last two fiscal years or in the first year of their establishment, have met at least two of criteria, as follows: 1. average number of employees, according to work per hour is up to 50 employees and 2. Annual revenues to be less than 2,000,000 EUR in MKD equivalent, total turnover to be less than 2,000,000 EUR in MKD equivalent and 3. Average value (at the beginning and in the end of the fiscal year) of total assets to be less than 2,000,000 EUR in MKD equivalent.
- 2) Medium enterprises are enterprises which in every of the last two fiscal years or in the first year of their establishment, have met at least two of criteria, as follows: 1. average number of employees, according to work per hour is up to 250 employees and 2. Annual revenues to be less than 10,000,000 EUR in MKD equivalent and 3. Average value (at the

beginning and in the end of the fiscal year) of total assets to be less than 11,000,000 EUR in MKD equivalent.

- 3) Assistance may be granted to investments in establishments which are part of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million, giving priority to investments aiming to align the establishment with all the relevant Community standards;
- 4) In case of group of investments 10321 and 10331 (setting up and modernization of collection centers), aid will be granted to agriculture cooperatives established according to the Law on Cooperatives (OG 54/02; 84/05)¹²⁸. The cooperative must be registered in the Central Registry as primarily dealing in agriculture according to the National Classification of Economic Activities (OG 147/08).

1.7.3. Specific definition of beneficiary per priority sector:

The beneficiary dealing in each of the priority sector subject to this measure must be in accordance with the specific definitions of processing capacities per priority sectors as outlined in the table below:

Table 4: Size of the capacities of the eligible beneficiaries for Measure 103

Priority sector	Beneficiaries	Group of Investment	m.u.****	Size of eligible beneficiary	
				Min.	Max.
1031 Wine production					
		10311	hl	1,500	55,000
1032 Fruit and vegetable processing					
	-collection center/cooling and storing capacity	10321	tons	500	3,000
	-drying	10322	tons	40	500
	-freezing	10322	tons	500	5,000
	-Preserving/canning	10322	tons	500	5,000
1033 Milk processing and Dairy products					
	-collection center/cooling and storing capacity	10331	lit./day	1,500	30,000
	-processing capacity	10332	lit./day	5,000	100,000
1034 Meat products					
<i>Slaughtering capacity</i>	-poultry	10341; 10342;10343	heads/day	5,500	30,000
	-cattle	10342;10343	heads/day	15	150
	-pigs	10342;10343	heads/day	20	300

¹²⁸ According to the Law on Cooperatives (OG. 54/02 and 84/05) Cooperatives are legal entity established by associates-natural and legal entities for the purpose of representing or protection of certain number of precisely specified economic interests of the co-operants, in all fields of activity, except banking and insurance and activities which by law are not allowed to set up a cooperative. Minimum number of members to establish the cooperative is three natural or legal entities.

	-lamb	10343	heads/day	50	4,000
<i>Meat processing</i>	- processing capacities	10343	tones	2,000	25,000

**** *Installed capacities:*

- for wine, in hl per year
- for fruit and vegetable, in tons per year
- for milk and dairy, in liters per day
- for slaughtering, in heads per day
- for meat processing, in tones per year

1.7.4. Other requirements (occupational skills etc.)

The beneficiaries (sole proprietor, responsible person of the legal entity, or a manager of agricultural business/cooperative) shall prove professional education achieved in accordance with the Book of rules explaining the means of knowledge testing and issuing certificates for achieved basic knowledge for food hygiene and protection of the environment (OG 118/2005) according to the Law on Food Safety and Products and Materials in Contact with Food (OG 54/02; 84/07).

In accordance with Article 21 of the SA, ex-post checks shall be carried out within 5 years of the date of final payment to the final beneficiary. Since in case of retirement of the final beneficiary during this period substantial change occurs, the responsible person of the legal entity, at the start of the investment must not be older than 59 years of age for male and 57 for women bearing in mind the age limit for retirement being 64 for man and 62 for women according to the provisions of the Law on pension and social insurance¹²⁹.

The responsible person of the legal entity must be permanently employed.

1.8 National legislation in force

The legislation undergoing harmonisation and the national legislation in force are indicated in Part II of the IPARD Programme-“National Governance Context” as well as listed in Annex 25.

1.9 Aid Intensity

Total public expenditure (national + EU funds) will not exceed a ceiling of 50% of the total eligible cost of the investment.

The financial contribution by the final beneficiaries in relation to the total eligible cost must be 50%.

1.10 Financing

1. The degree of public intervention for the projects of private interest is 50% of which:

- 75% is EU contribution
- 25% from the national budget

¹²⁹ (OG 80/93, 3/94., 14/95, 71/96, 32/97, 24/00, 96/00, 50/01, 85/03, 50/04, 4/05, , 101/05, 70/06, 153/07, 152/08, 161/08)

Public sector support granted for investments in section 1.4 – “Priority sectors and the type of eligible investments” is up to 50% of the total investment amount eligible for support.

2. Within this program projects of a minimum total eligible cost of the investment of 15,000 Euro (minimum ceiling) and maximum 400 000 Euro (maximum ceiling) will be financed.

- In this context, the applicant applying for projects whose value of the total eligible cost of the investment is below or equal to 400 000 Euro, the investment must be in compliance with Community standards as defined by article 170(1) of Commission Regulation (EC) No 718/2007 of 12 June 2007 at the end of the investment.
- The applicant applying for projects whose value of the total eligible costs of the investment is above 400 000 Euro (but not exceeding the maximum amount of total eligible costs of investment of 800 000 Euro), the investment must bring the establishment in full compliance with Community standards as defined by article 170(1) of Commission Regulation (EC) No 718/2007 of 12 June 2007 at the end of realisation of investment.

However, this maximum ceiling shall be raised up when the following cases apply:

- Financial support with a value exceeding the maximum ceiling of 800,000 Euro but not more than 3,000,000 Euro will be granted only to projects related to setting-up new poultry slaughter-house in full compliance to the Community standards

3. The maximum total eligible investment costs within the programming period 2007-2013 are 1 100 000 EUR per beneficiary. Applicants may submit several projects, provided that the total maximum ceiling is not exceeded and previous projects have finished successfully i.e. the final payment is received. Where national minimum standards based on Community standards have been newly introduced at the time when the application is received, assistance may be granted regardless of non-compliance with those standards on the condition that the establishment shall meet the new standards by the end of realisation of the investment.

The eligible project activities have to take place after the signature of the contract with exception to feasibility and technical studies, in the limit of the percentage approved in the measures. The payment of the financial support will be made on the base of justifying documents, which prove the accomplishing of the activities and their eligibility. For purchase of machinery and equipment, the payment will be made as a single payment at the end of the investment. For investments concerning construction and reconstruction of buildings including equipment, the payment can be made in maximum in two installments, according to beneficiaries' choices. In this case the first instalments shall be paid after the finalisation of the construction or reconstruction works and the second instalment after the installation of the equipment, i.e. at the end of the investments.

The investment expenditures include also the expenditures for preparation of Business Plan and investment project at the rate of maximum 5% of investment project value and maximum 12% in case of technical project for

construction for general costs, such as engineers' and consultants' fees, legal fees, feasibility studies for preparing and/or implementing a project.

The planned relative importance of Measure 103: Investments in processing and marketing of agriculture products in relation to the other measures being financed under IPARD is approximately 35%. The distribution of the public investment is according to the objectives to be achieved under this measure.

Table 5: Indicative Financial Plan for Measure 103 (2007-2011), in EUR

Year	Total eligible cost	Public expenditure						Private contribution	
		Total		EU contribution		National contribution			
		EUR	EUR	%	EUR	%	EUR	%	EUR
1	2=3+9	3=5+7	4=3/2	5	6=5/3	7	8=7/3	9	10=9/2
2007	1,960,000	980,000	50%	735,000	75%	245,000	25%	980,000	50%
2008	6,253,333	3,126,667	50%	2,345,000	75%	781,667	25%	3,126,667	50%
2009	9,520,000	4,760,000	50%	3,570,000	75%	1,190,000	25%	4,760,000	50%
2010	10,133,333	5,066,667	50%	3,800,000	75%	1,266,667	25%	5,066,667	50%
2011	10,453,333	5,226,667	50%	3,920,000	75%	1,306,667	25%	5,226,667	50%
Total	38,320,000	19,160,000	50%	14,370,000	75%	4,790,000	25%	19,160,000	50%

Table 6: Breakdown of Measure 103 Budget by priority sector, in EUR

Group of investments		% of the measure 103	EU funds	National Co-financing	Private contribution	Total cost
1031.	Wine Production	3%	431,100	143,700	574,800	1,149,600
1032.	Fruit and Vegetable Processing	11%	1,580,700	526,900	2,107,600	4,215,200
1033.	Milk processing and Dairy Products	20%	2,874,000	958,000	3,832,000	7,664,000
1034.	Meat Products	66%	9,484,200	3,161,400	12,645,600	25,291,200
	Total	100%	14,370,000	4,790,000	19,160,000	38,320,000

1.11 Financing Conditions

- Beneficiaries-legal entities are obliged to keep all accounting records at least 5 years after the investments takes place;
- The beneficiary should collaborate and provide any requested information to the officials of MAFWE, IPARD Agency or European Commission authorised to control and audit the implementation of the project as well as NAO/NF and AA.
- The support will be reclaimed in the case where the supported goods are not used for the purpose intended or in the case, they are sold or leased during a period of 5 years.

(d) The beneficiary may again apply for support, following the completion and approval of a previous project and reception of final payment for previous completed project.

1.12 Geographical Coverage

This measure will apply on the whole territory of the country

1.13 Quantified Targets for EU Common Indicators:

Type of indicator	Indicator	Target
Output	Number of establishment supported (2007-2011)	48
	Number of collection centres for milk and fruit and vegetable supported (2007-2011)	11
	Total volume of investment (2007-2011)	38.32Mio. EUR
Result	Number of establishments introducing Community standards	48
Impact	Net additional value expressed in PPS	*
	Change in gross value added per annual work unit	*

* To be completed by means of survey and other evaluation models, carried out by MAFWE, before implementation of the Programme

1.14 Programme Specific Indicators and Quantified Targets

- Share of modernised establishments (%)
- Share of reconstructed slaughterhouses in full compliance to Community standards (%)
- Share of assisted establishments that have improved milk hygiene requirements according to Community requirements (%)
- Share of assisted establishment that have improved wastewater treatments (%)
- Share of assisted establishments that rationalised production by closing down obsolete capacities (%)

1.15 Supporting Documents

The potential beneficiary shall attach the required documents to the financing application.

1.16 Implementing Authority

The Agency for Financial Support of Agriculture and Rural Development (IPARD Agency) represents the Implementing Authority in the country.