



Grants for Introduction of Food Safety and Quality Standards PROGRAM DESCRIPTION & CRITERIA

Background and Summary

The USAID Agribusiness Project is a five-year program of technical and financial assistance to the agricultural and food industry value-chains in Serbia, funded by the United States Agency for International Development (USAID). The overall objective of the USAID Agribusiness Project is: "Increased value of Serbian agricultural product sales, and increased agricultural employment." The USAID Agribusiness Project is designed to achieve this objective by (1) increasing the efficiency and competitiveness of Serbian agribusinesses along the value chain in the high-potential sectors identified during the sector selection and analysis, and (2) improving enabling environment for Serbian agribusinesses.

The value-chain assessments revealed that one of the major weaknesses among the companies in the selected sectors that limit their competitiveness at the international markets is the lack of international food safety and quality standards. International market and organizations have defined the sets of technical, managerial and other kind of requirements related to product quality and safety. In general, these standards are aimed to a) improving production efficiency, b) decreasing production costs, c) assuring environment protection, and d) protecting consumers' health. As a result, Serbian companies face rising non-tariff barriers to their exports that can be removed only by successful implementation of international standards.

The certificates issued by qualified certification bodies are needed to prove that a product or a service complies with international market requirements. However, introduction of international food safety and quality standards is a demanding and expensive process. Besides significant costs related to provision of specialized training, consultancy and certification services, the process usually requires huge effort and incontestable commitment of management and employees participating in the process. Implementation of international food safety and quality standards at the same time represents a powerful tool that leads to increased efficiency and decision making in sustainable business development and ultimately higher profits. It is beneficial especially for agribusinesses that wish to penetrate foreign markets; in particular, those export oriented towards the EU market.

Bearing in mind the importance of international food safety and quality standards in agribusiness, as well as the success indicators, the Agribusiness Project plans to continue to provide financial support to Serbian agribusinesses through the investment incentive grant scheme whereby all interested agricultural households, agriculture-related firms and cooperatives, dealing with the following commodities, will be able to utilize the Agribusiness Project grant funds to introduce international food safety and quality standards:

1. Fresh and processed vegetables, berry and tree fruits¹
2. Meat products²
3. Specialty cheeses, creams and other dairy products
4. Mushrooms
5. Herbs, spices and forest fruits

The main objective of this grant scheme is to improve competitiveness of Serbian agribusinesses through the provision of matching funds, which will allow agricultural households, agriculture-related firms and cooperatives to engage qualified certification agencies to introduce one or more of the following internationally recognized food safety and quality standards:

1. Good agricultural practice in accordance with GlobalGAP;
2. Environment management system – ISO 14001;
3. Food safety management system– ISO 22000 and HACCP³;
4. Organic production – Organic;
5. Other market specific international standards such as IFS, BRC, Halal, Kosher, etc.

Likewise the last year, the grants will be awarded on a competitive basis through a transparent application process, and in accordance with the specific criteria provided herein.

The grant funds will be available for certification only, on a “first come-first served” basis, in the period August 1, 2011 – March 31, 2012; while each grant activity i.e. certification should be completed within three months from the date of signing the grant agreement, but not later than June 30, 2012.

The Agribusiness Project will cover up to 70% of the total costs for certification services on a cost reimbursable basis. However, in no event the grant funds shall exceed the amount of US\$5,000 for a standard. Nevertheless, the use of grant funds will have to be strongly justified by each grant applicant, in terms of results and market requirements. The grant applicants shall cover at least 30% of the certification costs and provide adequate cost share proofs e.g. invoices, bank statements, etc. The purpose of this cost sharing is to leverage additional resources towards introduction of the required international food safety and quality standards. The total estimated grant budget for the grants for introduction of food safety and quality standards is estimated at US\$100,000.

Grant Recipients Eligibility Criteria

Eligible grant recipients are registered agricultural households and agriculture cooperatives dealing with the above-mentioned commodities, as well as the small and medium sized enterprises that employ up to 100 workers, with an annual turnover in 2010 of up to US\$10 million.⁴ The following specific eligibility criteria shall also apply:

¹ Excluding prunes, walnuts, almonds and hazelnuts

² Excluding fish and fish products

³ Grant funds for HACCP certificate shall be available to the agriculture-related firms and cooperatives from underdeveloped areas of Serbia

⁴ This requirement also applies to the small and medium sized enterprises where less than 25% of the assets (or voting rights) are owned by one or more enterprises that employ more than 100 workers, with an annual turnover in 2010 that exceeds US\$10 million

- Grant recipients must be agriculture-related firms, registered agricultural households and agriculture cooperatives dealing with production and processing of the aforementioned commodities; the agriculture-related firms must have at least three full-time employees, while the agriculture cooperatives must have at least one full-time employee;
- Grant recipients must be for-profit non-Governmental organizations registered in the Republic of Serbia with no less than 51% domestic ownership;
- Grant recipients' production and processing facilities must be duly registered for their activities in accordance with Serbian law; the grant recipients requiring special permits for their activities should have adequate approvals e.g. slaughterhouses/meat processing plants and dairies should have approvals from the Veterinary Directorate at Ministry of Agriculture;
- Grant recipients' proposed activities must be consistent with the objectives of the USAID Agribusiness Project and contribute to the Project's results;
- Grant recipients must provide a strong justification for introduction of the international food safety and quality standards e.g. market demand, specific market requirements, trade fair, etc.; accordingly, grant recipients must provide quantified projections for the results of the grant assistance using the list of indicators within the grant application.
- Grant recipients must have an active and functional, unencumbered bank account i.e. a report issued by the National Bank of Serbia that the grant recipient's bank account is not blocked must be provided along with the grant application;
- Grant recipients business operations and assets must be environmentally sound, and designed to operate in compliance with all applicable national, provincial and local environmental laws, standards and other regulatory requirements; not restricted or prohibited by international environmental agreements.

In addition to the general eligibility criteria, the following specific criteria will apply as well:

➤ **GlobalGAP**

- Potential grant applicants for the GlobalGAP individual certification, engaged in the tree fruit production must utilize the area of at least 2.5ha in order to apply for individual certification, while producers of berry fruits and vegetables must utilize the area of at least 1.5ha.
- There must be at least three individual agricultural producers (either as members of the agricultural cooperative or associated producers of an agriculture-related firm), registered as agricultural households, utilizing together a total area of at least 2.5ha, for the GlobalGAP group certification. Individual agricultural producers participating in the group certification must have contracted sales with the future holder of the group certificate (e.g. agriculture cooperative or agriculture-related firm).

➤ **HACCP**

- The grant funds for HACCP certification are only available for the agriculture-related firms and agriculture cooperatives whose production and processing facilities are seated/ registered in the underdeveloped areas of Serbia as

defined by the Office for Sustainable Development of Underdeveloped Areas of the Government of Serbia; the list is provided at the following webpage: <http://kornrp.gov.rs/index.php/o-kancelariji.html>

➤ **Organic**

- Potential grant applicants for Organic standard must be either (a) in the final year of land conversion, where the land conversion is required or (b) in the process of certification of processing facility. Accordingly, the applicants must provide documents confirming their status with regard to the land conversion process.
- The minimum required production area for individual certification is 1.5ha.⁵
- There must be at least three individual agricultural producers (either as members of the agricultural cooperative or associated producers of an agriculture-related firm), registered as agricultural households, utilizing together a total production area of at least 2.5ha, for the Organic group certification. Individual agricultural producers participating in the group certification must have contracted sales with the future holder of the group certificate (e.g. agriculture cooperative or agriculture-related firm).

The agriculture-related firms, agriculture households and agriculture cooperatives that received financial assistance for certification from the Ministry of Agriculture, Trade, Forestry and Water Management or any other institution of the Government of the Republic of Serbia or other donor, cannot receive support for the same products, processes, facilities or crops under this grants program.

Service Providers Eligibility Criteria

Potential grant applicants are obliged to submit at least three offers for the required certification services from the competent service providers, listed in the Bid Evaluation Matrix (provided along with the grant application form). The grant applicants shall use the Bid Evaluation Matrix to compare the offers in terms of price and quality, and to recommend the best service provider(s).

The certification agencies registered for performing the required certification services in the Republic of Serbia (i.e. excerpts from the Agency for Business Register) and possessing references to prove their competence (i.e. a reference list for the preceding three years) shall be considered as the competent service providers.

If a grant applicant plans to introduce more than one international food safety and quality standard engaging more than one service provider, at least three offers for each of the required certification services i.e. service providers must be presented.

In the case where only one or two certification agencies are registered in Serbia to provide specific certification services, the grant applicant will provide sole source justification.

In addition to the three written quotes from the competent service providers and the Bid Evaluation Matrix, the grant applicants are obliged to submit the lists of

⁵ It does not apply to processors.

references, as well as the following specific documents for the recommended service provider(s), as applicable:

- *Organic* – a proof that the recommended service provider is approved by the Ministry of Agriculture to perform organic certification during 2010;
- *ISO14001* – a proof on domestic or international accreditation for environment management system (EMS);
- *ISO 22000, HACCP, IFS and BRC* – a proof on domestic or international accreditation for the specified standards;
- *GlobalGAP* – approval from the Secretariat for GlobalGAP Certification (FoodPLUS) for recommended service provider or a valid contract signed between the recommended service provider and other domestic or foreign certification body that posses approval from the Secretariat for GlobalGAP certification (FoodPLUS);

The grant applicants who recommend incompetent service provider(s) and/or fail to submit three complete offers and the Bid Evaluation Matrix where required, shall not be considered for grant award.

Application Process

The public call for applications will be open until March 31, 2012 or until the grant funds for this activity (approximately US\$100,000) are available. The grants shall be awarded on a "first-come, first-served" basis.

Interested grant applicants that fulfill the abovementioned eligibility criteria will be invited to submit their grant applications filled-out in English language, along with the accompanying required documentation, to the nearest regional office of the USAID Agribusiness Project, both in hard copy and electronic version on a CD. The following specific documents must be submitted:

- a) Grant Application, properly filled-out
- b) Agriculture-related firms and agriculture cooperatives must submit a copy of the registration documents issued by the Agency for Business Registers; agriculture households must submit proof of registration for 2010;
- c) Agriculture-related firms and agriculture cooperatives must submit the report issued by the National Bank of Serbia that no enforced collection has been initiated with the grant applicant; the reports are available at the following webpage: <http://www.nbs.rs/export/internet/cirilica/67/pn.html>
- d) Copies of the forms for pension and social insurance to verify the required number of employees in 2010 (forms M -2 and M3-A or M-4K);
- e) Copies of the balance sheet and income statement for 2010;
- f) Three or more written quotes from the eligible service providers for the required certification services and the Bid Evaluation Matrix(s), as provided under the Service Providers Eligibility Criteria section above. In the case where only one or two certification agencies are registered in Serbia to

provide specific certification services, the grant applicant will provide sole source justification.

- g) The proof of competences / accreditation issued by national or international accreditation bodies and the list of references for the recommended service provider(s) as provided under the Service Providers Eligibility Criteria section above.

The application form, as well as any additional information regarding the Grants Program can be obtained electronically, via the following email address: **office@agrobiznis.net** or in the nearest office of the USAID Agribusiness Project, as follows: **Belgrade**, Internacionalnih brigada Street no. 57, phone: 011/243 66 11; **Čačak**, Dragiše Mišovića Street no. 73, phone: 032/371 554; **Novi Sad**, Školska Street no. 3, phone: 021/528 490; and **Niš**, Kralja Stefana Prvovenčanog Street no. 44-46, phone: 018/526 228.

The USAID Agribusiness Project shall provide equal opportunity to all applicants and shall not discriminate based on gender, ethnicity or religion.

Grant Applications Review Procedure

The USAID Agribusiness Project's Grants Review Board will review and evaluate received applications on an on-going basis (monthly) during the application process and award grants to the grant applicants that meet the criteria (i.e. the grants will be awarded on a *first come – first served* basis). Accordingly, the grant applicants are advised to submit their applications sooner rather than later.

The grant applicants will be informed in writing about the status of their application. The incomplete and incorrect applications shall be rejected.

The selected grant applicants will undergo an environmental assessment prior to grant award. Also, each grant applicant will be visited by the Agribusiness Project technical staff, prior to the final review and approval.

Grants Implementation and Payment Schedule

The amount of award shall not exceed the approved amount in US\$ and it will be paid in the local currency equivalent according to the buying exchange rate of the National Bank of Serbia on the payment day. No tax, however, shall be reimbursed under any circumstances. Nevertheless, the tax expenditures (e.g. Value Added Tax) shall be considered allowable cost sharing (matching contribution) by the grant recipients.

The funds provided under the terms of the grant agreement may be utilized to reimburse the grant recipients for actual costs incurred in order to obtain one or more international food safety and quality standards in accordance with the provisions of the grant application and the grant agreement. Once the Grantee has presented the documentation required under the agreement, the Agribusiness Project will deposit the corresponding sum in the grant recipient's bank account.

To obtain payment the grant recipient must present the following specific documents:

- Request for Reimbursement

- Financial Report
- Program Report
- Copies of the contracts with the selected service provider(s), if applicable
- Final report from the Certification Agency about successful completion of the certification
- Copy of the invoice from the Certification Agency and a payment proof i.e. bank statement

The grant recipient will present the above-mentioned documents and reports one time, and upon successful certification.

The Agribusiness Project will reimburse the grant recipient's actual costs in accordance with the grant agreement and based on the submitted proofs within 10 days from the receipt of complete documentation.

Grant Applicant Responsibilities

Mutual rights and obligations shall be governed by the Grant Agreement concluded between the USAID Agribusiness Project and grant recipient. The grant recipient shall be obliged to undertake all actions to successfully complete the process of certification of specific standard. In addition, the grant recipient shall be obliged to submit all necessary information and documentation on conducted activities and payments during the program implementation process to the USAID Agribusiness Project, in order to enable refunding of the costs, in accordance with the prescribed criteria and provisions of the Grant Agreement.

Attachments:

- Grant Application Form
- Bid Comparison Matrix Form