

Brexit Fish Processor Transition Scheme

1. Legal Basis and State Aid

This Scheme has been submitted to the European Commission for State Aid approval and no application will be approved for aid pending State Aid approval.

Expenditure under this scheme will be proposed for funding under the Brexit Adjustment Reserve.

2. Managing Authority and Intermediate Body

- The Managing Authority for the Fish Processor Transition Scheme (hereafter referred to as the Scheme) is the Department of Agriculture, Food and Marine (DAFM).
- The implementing Authority for the Scheme is Bord Iascaigh Mhara (BIM).
- BIM with the agreement of the Managing Authority, reserves the right to alter or amend the conditions of this scheme and/or to suspend the scheme or to substitute the scheme for a different scheme, subject to State Aid Notification.
- Funding for this scheme is subject to funding being available to BIM. In every case payment of support is contingent on the availability of finance to BIM.

3. Task Force Recommendation

Recognising the significant impact of the TCA on the Irish Seafood Sector, the Minister for Agriculture, Food and the Marine set up a Seafood Task force in March 2021. The Task Force was tasked with examining the implications arising from the EU/UK TCA for the Irish Fishing industry and coastal communities particularly dependent upon it. Based on their deliberations, the Task force was asked to outline initiatives that could be taken to provide supports for development and restructuring so as to ensure a profitable and sustainable fishing fleet and to identify opportunities for jobs and economic activity in coastal communities dependent on fishing. In relation to the processing sector, the Task Force recommended a short-term support scheme be considered as follows:

“The Task Force acknowledges that many whitefish, pelagic and shellfish processors have been directly impacted by the quota transfers under the TCA which has reduced the volume of raw material available. This combined with the introduction of additional logistical and administration costs through non-tariff barriers, have resulted in significant reductions in turnover in the first part of 2021.

The Task Force recommends that for the scheme to proceed there is a need for clear evidence, at an individual enterprise level, of a causal link between the TCA-induced quota share reduction, evidence of additional costs due to the non-tariff barriers introduced and the extent of loss suffered by the processors concerned.

The Task Force recommends that before the proposed liquidity aid scheme can proceed further, it should be fully assessed from a legal perspective, compliance with the public expenditure code and against the EU BAR State Aid Guidelines for the fishery and aquaculture sector”.

This scheme represents the implementation of this recommendation.

4. Background

The fish processing sector comprising around 101 enterprises, sustained 3,425 jobs, paid €145 million of wages, and contributed €622 million to the Irish economy in 2021 and is particularly important for

some of Ireland's more peripheral and rural areas. In an international context it is a significant exporter, contributing to Ireland's status as a net exporter of processed fish, relative to the overall EU's position as a buoyant consumer market and net importer of seafood products. The sector is a key contributor to Irish and EU food supply and security in a time where supply chains have been heavily disrupted by global events and in the context of the EU's dependence on non-member states for seafood supply. Moreover, seafood processing in Ireland also has considerable untapped potential for development, particularly in terms of developing value-added products to meet demand in EU and global markets.

Processing enterprises have been overwhelmingly and disproportionately impacted by the TCA when compared to other sectors in Ireland. Within the whitefish and pelagic segments, as a direct result of TCA quota reductions, the supply of raw material to the processing sector has been reduced and become inconsistent. Within the domestic sector, quota reductions for the Irish fleet mean less raw material being available for processors. Additionally, quota reductions for fishers from other EU member states, who may land raw material for processing in Ireland, further reduces supply. Beyond this, some 148,600 tonnes of fish worth €355 million were imported into Ireland in 2019 and this was overwhelmingly destined for processing by our seafood processing enterprises. The UK accounted for 41% of this raw material by volume (65% by value). Brexit and the TCA has resulted in such imports becoming less available and more expensive, with smaller processors in particular not being able to access alternative international supply due to their small scale. All factors combined, there is significant pressure on the processing industry to source raw materials and maintain profitability. This in turn creates risks for those employed by these otherwise profitable enterprises, in regional and peripheral areas where these enterprises are often the primary source of employment and a main contributor to local economies. At national and EU level, threats to this industry also create risks for food security and supply in a time where the resilience of the food supply chain is in the spotlight.

For many processors the introduction of post-TCA non-tariff barriers, has created significant choke points, fracturing supply continuity during the critical period from 1 January 2021 to 31 March 2021. Supply chains were disrupted, and this has severely impacted on many processors that have experienced reduced volumes as a direct result. This new scenario has resulted in impaired asset utilisation rates, lost market share, challenges to overhead absorption rates and a consequent reduction in employment levels. The processing segment is now faced with having to accelerate the modification of long developed business plans and to adapt to a new business paradigm.

Therefore, as per the EU Brexit Adjustment Reserve State Aid Guidelines for the fishery and aquaculture sector, the processing sector needs temporary liquidity aid to mitigate the key TCA driven factors experienced in 2021, which has reduced cash flow and forced enterprises to seek extensions to their credit terms with financial institutions. This temporary aid scheme aims to facilitate and underpin the short-term orderly transition to address the new normal post-Brexit through provision of transition funding and training to facilitate participating enterprises to adapt. To this extent, the aid will enable the medium and long-term adaption of the processing sector and to re-configure and re-structure their businesses to the changed trading environment. A key focus will be to address post TCA changes in access to raw materials currently impaired by quota cuts and a range of onerous non-tariff barriers. The re-structuring and development of the processing sector will be assisted through the Processing Capital Support Scheme.

5. Brexit Adjustment Reserve

Regulation 2021/1755 of 6 October 2021 established the EU Brexit Adjustment Reserve. The objective of the Reserve is to provide support to counter the adverse economic, social, territorial and environmental consequences of the withdrawal of the United Kingdom from the Union in Member States, including their regions and local communities, and sectors, in particular in those that are most adversely affected by the withdrawal, and to mitigate the related negative impact on the economic,

social and territorial cohesion. The Reserve may support measures carried out by Member States to contribute to the aforementioned objectives. In terms of measures most relevant to this scheme, support may be provided to certain operators within the meaning of Article 4(30) of the CFP Regulation and other than vessels owners and fishers, which depend on raw material that can no longer be supplied, (i.e. the raw material can no longer be fished due to TCA-induced quota share reductions, or the lack of access to UK waters or other third country waters, or that it is not supplied due to negative impacts on trade patterns and logistics (non-tariff barriers) as a consequence of Brexit). In such cases, the Reserve may support temporary liquidity aid to facilitate an orderly transition during the time needed for such companies to find alternative suppliers or to implement other structural measures (e.g. reconversion to other raw material or orderly reduction of business activity).

6. Scheme Rationale

The scheme will compensate processors that have suffered a reduction in turnover of at least 15% or more in the 12-month period of January to December 2021 compared to the average annual turnover for 2018 to 2020. Applicants must demonstrate that this reduction in turnover is attributed to the TCA in respect of reduced supply of species directly impacted by quota cuts and/or because of increased operational costs for logistics and administration associated with Brexit. The support is designed to stabilise cashflow and assist processors to adapt operations to the new trading arrangements with the UK. It will facilitate an orderly transition during the time needed for such companies to find alternative suppliers or to implement other structural measures (e.g., reconversion to other raw material or orderly reduction of business activity) post-TCA.

7. Scheme Objectives

The objective of the proposed short-term liquidity aid scheme is to offset losses incurred by the processing sector in 2021 due to the TCA. The proposed scheme would cover short-term losses for the 12-month period as per the EU BAR State Aid Guidelines for the fishery and aquaculture sector. It will address the direct financial losses resulting from TCA/Brexit, and it will also address the consequences arising from the new trading environment that resulted directly after the TCA/Brexit on 1 January 2021.

This short-term measure should be considered in the context of long-term measures that aim to:

1. Additional mechanisation where appropriate to underpin international competitiveness.
2. Diversification and broadening of supply channels.
3. Product and process innovation with an emphasis on premiumization.
4. Additional focus on continued added value execution and with a strategic focus on market facing consumer friendly products with longer shelf life.
5. Waste minimisation, yield optimisation and by-product utilization.
6. Reconfiguring supply chain logistics and developing alternative non-land bridge routes to market.
7. Increased collaboration and building of scale to serve overseas international markets.

8. Description of the Scheme

The main elements of the scheme are as follows:

1. The scheme would support Irish registered seafood processing plant enterprises through the provision of short-term support aid, to offset the loss of turnover experienced in 2021 as a result of Brexit.
2. To be eligible for aid:

- beneficiaries must be able to show an actual reduction in turnover over the 12-month period January to December 2021 of at least 15% compared to the average annual turnover for 2018 to 2020 as a baseline. This will be verified through sales notes data from the Sea Fisheries Protection Authority or company accounts.
 - Beneficiaries must be able to show that at least 55% of purchases of seafood by value made during the reference period 2018 - 2020 came from an Irish port or from a UK port. This will be verified by sales notes data.
3. The level of aid will be set at a maximum of 35% of the first €500,000 losses, and 20% of the balance of losses up to a cap of €300,000 per processor over the period January to December 2021. This sliding scale aims to ensure assistance is provided to smaller businesses with a turnover of less than €5 million, representing around 50% of fish processors, that, in 2021, lacked the same resources, staffing power and financial stability to relocate or claim financial assistance, making it much harder for them to respond to the challenges of Brexit.
 4. The following will be required:
 - A signed declaration from the applicant attesting to the elements of the claim relating to loss will form part of the application, in the context of the cross analysis between 2021 and the baseline of the average annual turnover for 2018 to 2020.
 - A signed declaration by company directors and an external accountant to verify that the business is commercially viable.
 - A signed declaration that the company is up to date in its tax affairs as of the 31st of December 2021.
 - A signed declaration that the company has no director or shadow director or other officer who has a conviction for an offence concerning professional misconduct, fraud, corruption, involvement in a criminal organisation, theft, money laundering or any other illegal activity where such illegal activity is detrimental to the European Union's financial interests.
 - Evidence that company owners/directors have not taken dividends/payments to deliberately reduce turnover to the 15% threshold.
 5. Payments are based on actual losses per business, capped at a maximum of €300,000 per processor.
 6. Aid granted under the measure will not be cumulated with other aid for the same eligible costs.
 7. Aid under this measure and any other payments received to compensate the loss of income, including payments under insurance policies, will not exceed 100 % of eligible costs.
 8. Payments will only be made after the eligible applicant has completed a specified training course and signed an agreement to provide economic data to BIM.

9. Training Requirement

The scheme will offer a payment to eligible seafood processors participating in the Scheme, subject to them attending the following training module provided by Bord Bia.

Supporting Irish Seafood to Success

In the wake of Brexit and the TCA, the processing sector needs to re-configure and re-structure their businesses to the changed trading environment. This involves a focus on greater added value and doing more with less due to reduced raw materials. In turn, a shift in market focus and strategy is required in order to ensure processors can target the right products at the right markets and ensure continued growth and development. To achieve this, processors will need to be equipped with the right market intelligence and tools to inform their strategies.

This module has been developed by Bord Bia and is designed to upskill seafood clients, so they are fully informed of the tools, supports and investment available to them as look to grow their businesses further in 2023 and beyond. The module covers the following topics:

- Range of information and research tools that are available to aid market entry, category and target consumer decision-making.
- Trends that are driving change in the expectations of both food service and retail end consumers
- Brand Development and Brand Activation Services that are available to clients looking to either create a new brand, refresh an existing one, develop a new website or a wider range of services.
- Capability development across areas including, Category Management. Think Digital and Key Customer Management

10. Data Collection Commitment

The scheme will offer a payment to eligible seafood processors participating in the Scheme, subject to them entering into an agreement to supply BIM with economic data for a period to be specified by BIM, as follows.

The requirement for processors to provide economic data is no longer a regulatory requirement, yet such data is required to feed into economic performance reporting at EU and national level. Furthermore, such data is useful in policy formation and the evaluation of supports delivered to the industry. Eligible applicants will be required to provide the following data:

- Total Turnover
- Wages and salaries of staff
- Energy costs
- Costs for purchase of fish and other raw materials for production
- Total other operational costs
- Total number employed broken down by full-time, part-time and casual labour
- Breakdown of gender of employees

11. Eligible Beneficiaries

The scheme will be limited to operators within the meaning of Article 4(30) of Regulation (EU) No 1380/2013, excluding those operators that are covered by permanent cessation support, temporary cessation support or liquidity aid for vessel owners and fishers.

This scheme would support seafood processing plant enterprises with an approvals number issued by the SFP – Processing Plant (PP) or Fresh Fishery Products Plant (FFPP) number. To be eligible for funding, beneficiaries' must be able to show a 15% or more reduction in turnover in 2021 compared to their average annual turnover for 2018 to 2020, and show that at least 55% of purchases of seafood by value made during the reference period 2018 - 2020 came from an Irish port or from a UK port.

12. Ineligible Beneficiaries

The following enterprises are ineligible:

- Enterprises that cannot demonstrate a causal link between the TCA-induced quota share reduction (i.e., a reduction in turnover of 15% or more).
- Whitefish Co-operatives which are covered under a separate scheme.

13. Scheme Payments

The payments for eligible beneficiaries will be calculated by applying a rate of 35% of the first €500,000 losses, and 20% of the balance of losses up to a cap of €300,000 per processor over the period January to December 2021 compared to the average annual turnover for 2018 to 2020. The payments will be based on sales notes data from the Sea Fisheries Protection Agency or company accounts for the period January – December 2021 and for January – December for the years 2018, 2019 and 2020.

Payments are capped at a maximum of €300,000 per processor.

14. Selection Process

Step	Description	Carried Out By
Call for proposals	BIM will invite applications from eligible processing companies.	BIM
Eligibility Check and evaluation	To ensure compliance and eligibility.	BIM
Training Course Attendance and Verification	The training course must be completed before compliance will be certified	BIM/Bord Bia

Data Collection Agreement	The applicant must sign a declaration committing to provide the specified economic data before compliance will be certified	BIM
Payment	BIM will issue letters of offer to successful applicants and applicants will be required to formally accept the offer. Participants will be paid following verification of compliance with the T&Cs.	BIM

15. Publicity and Acknowledgement of Support Requirements

The full text of this aid scheme and its implementing provisions will be published on the implementing body's website www.bim.ie

In all cases where a project has granted support, BIM and the Department of Agriculture Food and the Marine will publicly acknowledge the aid provided via their website (www.bim.ie or www.eufunds.ie) or other publications. This will include the identity of the individual beneficiaries, the form and amount of aid granted to each beneficiary, the date of granting, the type of undertaking (SME/large enterprise), the region in which the beneficiary is located (at NUTS level II) and the principal economic sector in which the beneficiary has its activities (at NACE group level). Such a requirement can be waived with respect of individual aid awards not exceeding the threshold of €10,000.

This information will be published after the decision to grant the aid has been taken, kept for at least 10 years and be available for the general public without restrictions.

16. Terms & Conditions

1. To qualify for grant aid under this scheme the following terms and conditions must be met in all cases. Applicants should please note that these terms and conditions will apply to all applications. Applications that fail to comply with these terms and conditions will be deemed ineligible and will not be considered further.
2. The implementing authority, with the agreement of the Managing Authority, reserves the right to alter or amend the conditions of this scheme and/or to suspend the scheme or to substitute the scheme for a different scheme. reserves the right to alter or amend the conditions of schemes and/or to suspend the schemes or to substitute schemes for different schemes.

3. Funding for this scheme is subject to funding being available to the implementing authority. In every case payment of grant aid is contingent on the availability of finance to the implementing authority.
4. The implementing authority will supply identification details of applicants to the Managing Authority for the purposes of checking compliance with the terms and conditions of this scheme and compliance with information and publicity requirements.

Applications

5. Only applications submitted on an official BIM electronic application form sent via the BIM grants portal will be considered for grant aid approval.
6. Acknowledgement of an application does not constitute any form of entitlement to any form of grant aid whatsoever and neither should the applicant constitute any assistance given by officers of the implementing authority as a form of indication that grant aid will become available.
7. The implementing authority will determine the eligibility of applications and applications that do not meet all the mandatory criteria will be deemed ineligible and will be returned to the applicant with an explanatory memorandum.
8. Failure to accept the letter of offer in a timely manner may result in non-payment of grant aid.
9. Officers of BIM, the Department of Agriculture, Marine and Food, Comptroller and Auditor General (C&AG), auditors appointed by BIM or the European Commission or their agents, must be allowed access to all reports, manuals and official documentation including financial and other records related to the project being grant aided for the audit and verification purposes. All requests for information must be responded to promptly.
10. As the application will be made through the BIM on-line Grants Portal, the implementing authority does not require a hard copy of the application. However, any original supporting documentation for all on-line applications, must be made available should it be requested at any stage by Officers of the implementing authority and the Department of Agriculture, Food and the Marine or their agents.

Applicants

11. The applicant must complete a self-declaration confirming that none of the situations specified in article 11 of the EMFAF Regulation (Regulation 2021/1139) or in points 61 to 63 of Section 3.1.3 of Part 1 Chapter 3 of the 'Guidelines for State aid in the fishery and aquaculture sector' (2023/C 107/10) applies to them, and if they do, provide details. In that declaration, the applicant shall commit to continuing to comply with the rules of the Common Fisheries Policy and with the article 11 provisions throughout the project period and for a period of 5 years after payment. Applications may be deemed inadmissible for a specified period of time where the implementing authority determines that any of the situations described in article 11 apply to them. Beneficiaries of aid under this scheme who fail to comply with the CFP and with article 11 throughout the period of implementation of the project and for a 5-year period after the final payment under this scheme will be required to repay aid provided under this scheme.
12. An applicant who has benefited from earlier unlawful aid declared incompatible by a Commission Decision (either as an individual aid or an aid under an aid scheme being declared incompatible) shall not be eligible for aid under this scheme until that applicant has reimbursed or paid into a blocked account the total amount of unlawful and incompatible aid and the corresponding recovery interest.

13. Aid may not be granted for any purpose specified in Point (135) of the Guidelines for State aid in the fishery and aquaculture sector (2023/C 107/01).
14. Applicants must comply with the Department of Public Expenditure and Reform Circular 13/2014 – Management of and Accountability for Grants from Exchequer Funds. Where an applicant is required to file audited accounts with the Companies Registration Office (CRO), these accounts must detail the following information explicitly:
 - Name of Grantor ((Circular 13/2014 Section 5, subsection 21 (a))
 - Name of the Grant Scheme / Programme (Circular 13/2014 Section 5, subsection 21 (b))
 - Purpose of the Grant by appropriate heading (Circular 13/2014 Section 5, subsection 21 (c))
 - Accounting information for the Grant (Circular 13/2014 Section 5, subsection 21 (d))
 - Capital Grant information (if applicable) (Circular 13/2014 Section 5, subsection 21 (e))
 - Employee numbers and benefits categorised, and employer pension contributions (Circular 13/2014 Section 5, subsection 21 (f))
15. The applicant must demonstrate to the satisfaction of the implementing authority its legal identity.
16. The applicant must demonstrate financial viability (at an organisation or individual level as appropriate).
17. Applicants which represent an undertaking in difficulty, as defined by Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (2014/C 249/01), shall not be eligible for support.
18. The applicant must comply with the Department of Finance tax clearance procedures. The applicant must provide a Tax Reference Number and Tax Clearance Access Number.
19. Where appropriate the applicant must comply with the provisions of the Data Collection Regulation.
20. The applicant shall indemnify and keep indemnified the implementing authority against all costs, loss, damage and expenses sustained by them and against any claims that may be brought by any partner, employee, agent, sub-contractor or any kind or other party arising out of this project whether by reason of or on account of the breach, default, neglect, non-performance or non-observance by the Grantee or the partners of any of them of the terms and conditions of this Agreement or otherwise.
21. Grant aid may be revoked, or the amount of grant aid be reduced if any of the following should occur prior to grant payment:
 - Failure by the grant beneficiary(s) to provide required Tax Clearance information.
 - Should the Grantee commit any breach of the terms of the agreement.
 - Should there be a change in the basis of the undertaking which would obviate in whole or in part the purpose for which the grant was made.
 - An order is made, or an effective resolution is passed, for the winding up of the grantee's business.

Claims

22. Applicants must submit a separate claim form. Payments will be made once:
 - a. The pre-payment conditions have been met.
 - b. The training module has been completed.
 - c. A signed agreement has been submitted to provide economic data.

- d. A fully completed claim form has been received.
- 23. Payment will be made into the nominated bank account given on the application form after the above conditions have been met. The implementing authority will endeavour to expedite payments in a timely manner.
- 24. Payment of aid will only be made when all scheme terms and conditions and any special conditions listed in the letter of offer have been fulfilled.
- 25. Applicants must settle any outstanding debts owed to the Department of Agriculture Food and Marine before grant aid may be paid.

Appeals

- 26. BIM will provide on request a written explanation for award decisions. Following receipt of that explanation, appellants may request that an appeal be considered by an appeals officer appointed for that purpose. An appeals mechanism shall be put in place to adjudicate on appeals from applicants dissatisfied with the determination of their application.

Declarations

- 27. The applicant must complete a self-declaration confirming that they meet all criteria of the scheme and are compliant with the terms and conditions of the scheme. Please note that for on-line applications and claims, by submitting the forms, you are electronically signing all declarations that you have agreed to via a checkbox in the form. This is the legal equivalent to a hand-written signature.

17. How BIM will use your information

Any personal data you provide to Bord Iascaigh Mhara (“BIM”) will be retained and processed by us for solely the purpose described in this form and as described in further detail in the BIM Data Protection Policy. Our Policy describes in detail how BIM, as a State Agency, is required to collect, process and transfer personal data for the purposes set out in various Irish and EU fisheries and marine legislation. These purposes include the administration of grants, conducting surveys and performing services for those working in the marine sector, for example, training, education and ice services. Your personal data may be disclosed to third parties where it is necessary and relevant to those purposes, for example, national or EU agencies with responsibility for the marine, grant administration or training awards or accreditation. While BIM does not engage in unsolicited direct marketing, BIM or its agents may contact you in relation to relevant events or initiatives and you can unsubscribe from such communications at any time. You have a right to access and rectify your personal data which can be exercised by writing to the Data Protection Officer, BIM, Crofton Road, Dún Laoghaire, Co. Dublin. The BIM Data Protection Policy is available on the BIM.ie website **Error! Hyperlink reference not valid.**

Annex 1 – Compensation Methodology and Examples

Enterprises will be eligible if they record losses in turnover of 15% or more in 2021 compared to the average annual turnover for 2018-to-2020, and meet all other eligibility criteria. The formula for calculating the losses is as follows:

$[(\text{Lost turnover} \leq 500\,000 * 35\%) + (\text{Lost turnover} > 500\,000 * 20\%)] \text{ up to } 300\,000 \text{ cap} = \text{final aid amount}$

Example 1

Company A recorded an annual average turnover of 1,000,000 for the years 2018 – 2020 inclusive, and 950,000 in 2021.

This constitutes a 5% loss, and therefore the enterprise is not eligible for compensation.

Example 2

Company B recorded an annual average turnover of €1,000,000 for the years 2018 – 2020 inclusive, and €600,000 in 2021.

This constitutes a 40% loss, and therefore the enterprise is eligible for compensation (assuming meeting all other eligibility requirements). The compensation is calculated as follows:

$(€400,000 * 35\%) + (0 * 20\%) = €140,000$

As this falls below the cap of €300,000, the beneficiary would receive €140,000

Example 3

Company C recorded an annual average turnover of €2,000,000 for the years 2018 – 2020 inclusive, and €1,250,000 in 2021

This constitutes a 37.5% loss, and therefore the enterprise is eligible for compensation (assuming meeting all other eligibility requirements). The compensation is calculated as follows:

$(€500,000 * 35\%) + (250,000 * 20\%) = €225,000$

As this falls below the cap of €300,000, the beneficiary would receive €225,000

Example 4

Company D recorded an annual average turnover of €5,000,000 for the years 2018 – 2020 inclusive, and €3,700,000 in 2021

This constitutes a 26% loss, and therefore the enterprise is eligible for compensation (assuming meeting all other eligibility requirements). The compensation is calculated as follows:

$(€500,000 * 35\%) + (800,000 * 20\%) = €335,000$

As this exceeds the cap of €300,000, the beneficiary would receive the maximum of €300,000