

# **GENERAL CONDITIONS FOR THE USE OF STATE SUPPORT GRANTED BY THE MINISTRY FOR FOREIGN AFFAIRS AND ADDITIONAL CONDITIONS FOR PROJECT SUPPORT**

## **GENERAL CONDITIONS**

### **Amount of state support**

State support may not cover the full amount of expenses caused by activity or project targeted by the support unless reasons necessary to and justified based on the objectives of granting state support dictate otherwise.

The amount of the self-financing share varies depending on the form of support and will be listed in the application notice and state support decision.

Together with other forms of public support, the state support may not exceed the maximum amount set for state support or other public support in the legislation of the European Community and Finland.

### **Granting of state support**

Within the framework of the appropriations approved by the Parliament, state support is granted for use in accordance with the purpose of use set forth in the state support decision for either the recipient's own operations or project, or for assisting the operations or projects of some other party implementing the purpose of the state support decision.

If the state support is granted for assisting the operations or projects of a party other than the recipient to implement the purpose of the state support decision, the beneficiary and the party handling the operations or projects must sign an agreement regarding the use of the state support in accordance with the state support decision, the monitoring of the use and the applicable conditions.

### **Disbursement of state support**

The conditions for the disbursement of state support are defined in the state support decision. The support is paid to the recipient in one or more instalments based on the timing of costs. The Ministry for Foreign Affairs (MFA) may decide to pay the state support based on actual costs after an acceptable account on the use of the support has been provided to the Ministry.

State support can be paid in advance, if this is justified in terms of the use of the support and its monitoring.

The recipient of the state support must provide the MFA with accurate and sufficient information for the disbursement of the support.

The MFA will pay the support based on the payment requests sent by the recipient. In the case of support spanning multiple years, the support for the years following the first year of use can be paid without a separate decision once Parliament adopts the budget proposal for the year in question, provided that the Parliament has granted the funds for the purpose in question. The payment requests must take into account the timing of the costs. The additional conditions concerning the staggering of the payments will be included in the state support decision.

The beneficiary and the MFA can agree in writing to defer support funds to the following year or financing period. Funds that remain unused at the end of each calendar year must be taken into account in the first payment request of the following year.

### **Use of state support**

State support may only be used for the purpose set forth in the state support decision. In assisted projects or activities, the beneficiary must adhere to the conditions and restrictions incorporated in the state support decision.

If state support has been granted for the procurement or basic improvement of property to be used for the specific purpose defined in the state support decision, the property may not be permanently used for purposes other than that specified in the state support decision, nor may the ownership or control of the property be transferred to another party during the period of use of the property for which the state support is allocated as specified in the state support decision. The period of use set for the supported property determined in the state support decision may not exceed 10 years from the payment of the state support or its final instalment.

However, the period of use of the supported property will be 30 years from the granting of the state support if the support has been granted for the procurement or basic improvement of immovable property, a building or a dwelling in a building for the purpose of supporting operations other than commercial activities.

The beneficiary is fully responsible for any possible problems, claims and other ramifications resulting from the use of the support funds. The beneficiary is fully liable to the MFA for the appropriate use of the state support also insofar as the support has been used to assist the projects or activities of a party other than the beneficiary. The legal relationship of the beneficiary to the MFA is subject to public law. This means that the MFA may, for example, demand accounts, conduct inspections and recover misused state support from the beneficiary even in the event that the beneficiary has, if the state support decision permits, allocated some of the state support funds to the activities or projects of another party implementing the purpose defined in the state support decision. In other words, transferring state support to a third party does not in

any way exempt the beneficiary from its obligations/liabilities under public law. The beneficiary must also clarify the use of the state support for the part that it has been handled by another party.

#### Acceptable costs

State support and the related self-financing share can only be used to cover reasonable costs necessary for implementing the supported operations and in accordance with what is set forth by the MFA in the state support decision.

#### Changes to the use of appropriated funds

The beneficiary must immediately notify the MFA of any changes that affect the realisation of the state support's purpose of use or any other changes that influence the use of the support. If core operations or personnel costs change, the beneficiary must apply for permission to change the support usage plan with the MFA. The application to change the use of appropriated funds must be submitted in writing before the activities to be changed are initiated.

#### Procurement and prohibition of bribery

In using the support, the beneficiary must consider the competitive tendering requirements specified for procurements in the Act on Public Contracts (348/2007). According to the definition in section 6(1)(5) of the Act, contracting authorities (actors that must arrange competitive tendering processes for their procurement in accordance with the Act on Public Contracts) are any parties making a procurement if they have received more than half of the procurement's value in support from a state authority.

When procuring items or services, the invitations to tender and the procurement contracts must include a clause stating that the tender can be rejected and/or the contract terminated if the contract arrangements or the implementation of the contract involve bribery or similar unlawful activity (including bribing a foreign official).

The beneficiary assures that the organisation itself, the persons wielding its administrative or supervisory power, its employees or its local representatives have not engaged in bribery or similar unlawful activity (including bribing a foreign official) and will not do so while using state support. Furthermore, the beneficiary assures that the parties to which it transfers some of the state support in accordance with the support's purpose of use, or the persons wielding their administrative or supervisory power, their employees or their local representatives, have not engaged in bribery or similar unlawful activity (including bribing a foreign official) and will not do so while using the state support. Violating this assurance may result in the recovery of any paid state support in part or in full pursuant to the Act on Discretionary Government Transfers (688/2001).

Should the beneficiary discover that a person wielding its administrative or supervisory power, its employee or its local representative has misused funds received as state support, the beneficiary must take immediate action to minimise the resulting damage and notify the MFA of the matter. This is also the necessary course of action if the beneficiary finds that a party to which it has transferred some of the state support funds in accordance with the designated purpose of use, or a person wielding the administrative or supervisory power of such party, or the employee or local representative of such party has misused funds received as state support. The submission of a notification does not remove the MFA's right or obligation to recover paid state support from the beneficiary in part or in full pursuant to the Act on Discretionary Government Transfers (688/2001).

Supporting good administration in all operations is key, and the beneficiary must consider the instructions of the MFA's Anti-corruption Handbook for Development Practitioners (ISBN: 978-952-281-026-7) in its operations.

### **Immaterial rights**

The MFA has a free and unlimited right to use all materials/results generated through the state-supported activities for an indefinite period of time, including the right to use, copy, edit and commission edits to the materials and disclose them to third parties. The MFA is entitled to make results/materials created in the context of the state-supported operations publicly available through the MFA website, for example.

### **Beneficiary's obligation to provide information**

The beneficiary must provide the MFA with accurate and sufficient information for the purpose of monitoring the conditions of the state support decision. The beneficiary is obliged to report on the use of the support in accordance with the state support decision.

## **State support authority's supervisory duty**

The MFA has the right to receive and obtain information on the usage and monitoring of state support, along with other information, and conduct audits where necessary.

## **Auditing right**

The MFA is entitled to conduct any such audits of the beneficiary's finances and operations that are necessary for the payment of the state support and the monitoring of its use. If the state support has been granted pursuant section 7(2) to be used for the project or activities of a party other than the beneficiary but in accordance with the state support decision's purpose of use, the MFA has the right to audit the finances and operations of the party handling the operations or project in question.

By its decision, the MFA can authorise another authority or external auditor to conduct the aforementioned audits. A third-party expert can, by request of the state support authority, assist the audit.

## **Conducting the audit**

The beneficiary must provide the auditing official and/or auditor with all information, reports, documents, records and other material necessary for performing the audit and otherwise provide assistance with the audit.

The official and/or auditor conducting the audit has the right to seize the materials being audited, if the auditing process so requires. The materials will be returned without delay once they are no longer needed for the audit.

To the extent required by the audit, the official and/or auditor performing the audit is entitled to access the commercial premises, storage facilities and other similar properties used for commercial or business purposes as well as other areas that are relevant to the granting of the state support and the monitoring of its use.

## **Suspending payments**

The MFA can decide to suspend the payment of the state support in the following cases:

- 1) There is reason to believe that the recipient of the state support is not adhering to the provisions set forth in sections 12(4), 13 or 14 of the Act on Discretionary Government Transfers.

- 2) The grounds on which the state support was granted have essentially changed.
- 3) The legislation of the European Community requires the suspension of payment.

### **Returning state support**

The beneficiary must immediately return any state support or part thereof that it has received erroneously, excessively or obviously without justification. The beneficiary must also return the state support or part thereof if it cannot be used for the purpose stated in the state support decision. If the amount to be returned is no more than EUR 10, returning it is not necessary. Annual interest according to section 3(2) of the Interest Act (633/1982) with an added three percentage points must be paid for the returnable amount. The interest is calculated from the final payment day to the return payment.

### **Obligation to recover state support**

According to the Act on Discretionary Government Transfers, the MFA is obliged to issue a decision to stop the payment of the state support and recover the support already paid if the beneficiary has:

- 1) failed to return state support or part thereof that should be returned by virtue of section 20 of the Act on Discretionary Government Transfers;
- 2) used the support for a purpose which is essentially different from the purpose for which it was granted;
- 3) in order to obtain support, provided incorrect or misleading information on a matter which has essentially influenced the decision to grant support or its amount or conditions, or the organisation has concealed such a matter;
- 4) otherwise substantially violated the provisions concerning the use of the state support or the conditions included in the state support decision in a manner comparable to sections 1–3.

### **Discretionary recovery of state support**

Pursuant to the Act on Discretionary Government Transfers, the MFA can issue a decision to stop the payment of state support and recover the state support already paid in part or in full if the beneficiary has:

- 1) violated section 12(4), 13 or 14 of the Act on Discretionary Government Transfers;

2) refused to provide the materials referred to in section 17(1) of the Act on Discretionary Government Transfers or assist in the audit as indicated in the section in question;

3) ceased the supported activities, reduced them significantly or transferred them to others;

4) in violation of section 13 of the Act on Discretionary Government Transfers transferred the ownership or control of property procured with state support to another party;

5) in violation of section 13 permanently changed the purpose of use of the state-supported property;

6) become subject to a debt recovery procedure, been placed in liquidation, gone into bankruptcy or is subject to restructuring proceedings under the Restructuring of Enterprises Act (47/1993) or Act on the Adjustment of the Debts of a Private Individual (57/1993) unless otherwise required by the purpose of the state support;

7) taken action in a manner comparable to sections 1–6 with the result of changing the true nature or purposeful legal form of any matter related to the granting, payment or use of the state support.

If state-supported property has been destroyed or damaged during the period of use specified in the state support decision and new equivalent property is not procured to replace this property, the MFA can issue a decision to stop the payment of the state support and order an amount equivalent to the state support's share of the original acquisition cost of the property to be recovered from the possible insurance compensation or other reimbursement.

The MFA can also issue a decision to cease the payment of state support and recover paid support if the legislation of the European Community so requires.

### **Joint liability**

If state support has been jointly granted to more than one beneficiary, all recipients are jointly responsible for repaying the support back to the MFA.

**More detailed instructions from the state support authority**

The MFA can issue more specific instructions concerning the applicant's obligation to provide clarifying information, the beneficiary's obligation to keep books, the payment of the state support, the use of the support and the implementation of the monitoring.

## **ADDITIONAL CONDITIONS FOR PROJECT SUPPORT**

### **Amount of state support**

Financial support from the Ministry for Foreign Affairs (MFA) shall not exceed 85% of the project's total costs approved by the Ministry. Use of the support shall be contingent upon a minimum of 15% self-financing by the Finnish beneficiary, of which the monetary contribution must be at least 7.5% of the project's total costs. A part of the self-financing, up to 7.5% of the project's total costs, may be covered by voluntary work or be in the form of service and item donations. Acceptable voluntary work conducted within the scope of a project can include work performed by a representative of the beneficiary sent from Finland as well as project work carried out in Finland. In order to be approved as self-financing, the item and service donations must be collected from Finland or the European Economic Area (EEA). Ministry financing of disability specific projects shall not exceed 92.5% of the total costs of the project, and the organisation's annual 7.5% in self-financing must be contributed in cash only.

The beneficiary must raise its self-financing share from sources in Finland or from countries belonging to the EEA. Should the beneficiary encounter problems in raising the required self-financing share, the MFA, upon consideration, may also approve funds collected from outside the EEA as part of the self-financing share. The beneficiary must present its justifications for including the self-financing share raised from outside the EEA. The project's financing plan must include the donor as well as the country of origin of the donation. Other public support may not be used in covering the self-financing shares of development cooperation projects. This also includes public support raised from outside Finland. Nor can the self-financing share include any funding raised by the beneficiary itself, or the local partner, in a developing country.

The rate at which self-financing is raised must be monitored and any potential problems must be reported to the MFA as soon as possible. If the beneficiary is unable to collect the planned self-financing share, the scope of the project must be correspondingly curtailed so as to reach the minimum annual share of self-financing of the project's total costs (15% or 7.5% in disability specific projects).

### **Disbursement of state support**

The support is paid to the bank account indicated by the beneficiary. To receive payment, the beneficiary must supply the MFA with an appropriately filled payment request form. The request must correspond to the project's actual need for funds, and the disbursement timetable has to be reviewed from time to time as the project advances. The support is payable without a separate decision once the Parliament adopts the budget proposal for the year in question. However, before receiving payment of support for subsequent years, the beneficiary must submit a brief progress report as

well as an updated annual plan and budget attached to the request for payment in accordance with the Ministry's instructions.

As a rule, support should normally be used during the year of its approval and be drawn no later than the end of October that year. If the funds have not been drawn by the end of October, the MFA may cancel the budget reservations concerning the funds that are yet to be withdrawn and reallocate them. Nevertheless, if the beneficiary, prior to the end of October, presents the Ministry with reasonable cause for deferring the unused funds to the following year, this may be agreed upon separately. 10% of the reservation for the project's final year will be withheld and paid after the final report has been approved.

The payment request must be submitted no later than one month before the suggested due date for payment.

### **Use of state support**

If state support has been granted for the procurement or basic improvement of immovable property, a building or a dwelling in a building, the property's period of use for the designated purpose within the framework of this form of support is no less than 15 years, in contrast to the general conditions.

### Acceptable costs

The project's administrative costs may not exceed 10% of the project's actual total annual expenses (including administrative costs). Acceptable administrative expenses include itemised administrative costs resulting directly from the project in Finland as well as the share of the beneficiary's general administrative costs attributed to the project based on bookkeeping.

If preferred, beneficiaries can use the European Union's Flat Rate system, under which the annual administrative costs may not exceed 7% but need not be itemised.

Fundraising expenses can be included in acceptable administrative costs insofar as they are associated with raising the required self-financing share of the project.

### Personnel costs

State support can be used to cover the necessary salaries as well as statutory pay-based incidental costs, training costs, travel expenses and other comparable essential personnel costs. The beneficiary must present the personnel hired with the project support, including their job titles. The hiring must be based on a valid collective agreement indicated by the beneficiary and/or the average local pay level in the field. The beneficiary must keep up-to-date records of persons hired with project support, the lengths of their employments, the grounds for their recruitment and the amount of their

salaries to ensure that the state support authority has access to this information on request. The beneficiary is responsible for ensuring that the employees and experts have legal work permits.

Travel and accommodation expenses are covered based on the most affordable options and in accordance with the travel rules for civil servants.

Personnel expenses can also include costs, other than statutory personnel costs, caused by hiring Finnish or local personnel. These can include travel insurance, vaccinations or visas, for example.

Working hour monitoring must be performed systematically for all employees of the beneficiary and its partners in order to ensure good management and efficient use of resources. It must be possible to derive working hours allocated to the project from the monitoring arrangement, including volunteer work.

The beneficiary can also use the support for expert costs necessary to the project.

#### Operating and maintenance costs

When using state support for procurements, the relevant regulations in the Act on Public Contracts and the applicable Government Decrees must be taken into account.

Investments, such as construction, overhauling and purchasing equipment, can only be supported if they constitute an essential part of the project implementation. State support cannot be used to buy land. If it is justified to deliver goods from Finland or from outside the partner country, support can be used to cover shipping expenses. The beneficiary must ensure that its local partner maintains an up-to-date list of any fixed assets procured with development cooperation support, the self-financing share and changes in the value of these assets.

Operating expenses include costs of local commercial premises, such as rent, electricity, water and other property-related costs. They also include the purchase of fuel for machines and equipment, and other similar expenses. Local telephone, internet, mail and other similar expenses can be filed as office expenses. Corresponding costs in Finland are counted as administrative costs. Expenses arising from servicing and maintenance are considered to be maintenance costs.

## Communications

The domestic public must be informed about the project. Communications encompass all the various communication methods that the beneficiary employs to inform the Finnish public of the development cooperation project. This does not include the beneficiary's communications wherein it focuses on presenting itself: this cannot be covered with state support provided in the form of project support.

The beneficiary must ensure that it provides up-to-date information on its own website and other possible communication channels on the development cooperation project implemented by it. The communication costs may not exceed 5% of the annual total costs of the project.

## Changes to the usage plan

In the event that the key objectives, activities or personnel numbers change or cause a change of no less than 15% in budget lines, the beneficiary must apply permission to change the purpose from the Ministry in writing *before* initiating the operations in question.

## **Beneficiary's obligation to provide information**

### Reporting

Following separate instructions from the MFA, the beneficiary must submit to the Ministry an annual report concerning the activities and use of funds for each project via the Ministry's e-service. The report's appendices must contain the project's audit report and an auditor's statement affirming that the support received by the organisation from the Ministry has been used in accordance with the conditions set for the use of support and provisions on state grants.

The annual report is to be sent to the MFA by the end of April in the year following each year in which support has been granted and/or used. The annual report must be submitted regardless of whether or not the project has progressed or the resources have been used. In addition, at the end of the project the beneficiary must provide the Ministry with a final report that examines the results and impacts of the project and gives an account of the lessons learned and their applicability to other situations. The Ministry for Foreign Affairs may also ask the beneficiary to provide other clarifications as it deems necessary.

### Annually submitted basic information form

The beneficiary must carry out qualified accounting and financial statement practices required by the Accounting Act and Accounting Ordinance as well as statutory auditing or performance auditing practices.

The beneficiary's latest approved annual report, signed financial statement (profit and loss account, balance sheet, possible funds statement and notes), the auditor's report, the action plan for the current year and the budget must be electronically provided to the MFA in conjunction with the basic information form.

### **State support authority's supervisory duty**

The Ministry for Foreign Affairs or its assigned representative as well as the National Audit Office of Finland and Parliament's Audit Committee shall be entitled to audit the beneficiary's accounts, property and other information, documents, recordings and other necessary material at the premises of the beneficiary or by other means, and to inspect in other ways how the project is proceeding. For the purpose of monitoring, the beneficiary is required to provide the Ministry with correct and sufficient information and any material necessary for the audit, and to assist in other ways in the inspection. If necessary, the Ministry shall also be entitled to audit the finances and activities of the partner of the beneficiary as regards the project.

### Accounts and auditing

The organisation receiving support shall in its project accounting follow the Accounting Act and Ordinance as well as proper accounting principles. The project's bookkeeping must be organised so that the total finances of the project, (state support and self-financed contribution) can be easily verified and inspected. Expenses accepted in the cost estimate of the project should, as far as possible, be recorded in sub-accounts and the account scheme must facilitate the itemisation of approved cost items in bookkeeping and the annual report. Expense receipts must contain relevant bookkeeping information and be filed and kept so that the Ministry has access to them in Finland. The beneficiary must keep an inventory of the property that has been acquired with state support obtained from the Ministry. In Finland, receipts must be kept for six years. Whereas target countries determine this period as per local legislation, it shall be no less than six years. When the project is audited in Finland, all receipts will be kept here, and if they are in languages other than Finnish, Swedish or English, clarifications must be added in one of these languages.

The bookkeeping and annual report accounts statement of the project must be inspected appropriately by auditors selected by the beneficiary. If project support exceeds EUR 10,000 / project, one of the auditors must be a chartered auditor (KHT, HTM or JHTT) or firm approved by the Central Chamber of Commerce (KHT), Chamber of Commerce (HTM) or a chartered public finance auditor of the Finnish Board for Chartered Public Finance Auditors (JHTT-board). Pursuant to the Associations Act (503/1987) small projects can also employ other persons selected by the organisation as auditors. However, it is advisable to use the services of authorised auditors even in smaller projects.

If local expenses are entered into the partner's bookkeeping in the recipient country they shall be locally audited. Local auditors must meet the requirements set by the authorities of the country in question. A copy of the audit report by the local auditor must be attached to the annual report to the Ministry for Foreign Affairs.

## Ethical code of conduct

Although civil society organisations serve a variety of purposes and may be influenced by religion, political affiliation or some other ideology, they are to practise their development cooperation in a manner that strengthens democratic structures and is in line with Finnish legislation, Finland's human rights policy, Finland's Development Policy's human rights-based approach and concept of non-discrimination as well as sector-specific guidelines complementing the programme. The importance of commitment to the code of conduct is accentuated when dealing with persons representing different cultures, religions and ideologies.

The Ministry for Foreign Affairs has set compliance with the ethical code of conduct as a condition for the use of its support. Upon receiving support from the Ministry for Foreign Affairs, organisations pledge to apply and adhere to this ethical code of conduct in their development cooperation activities in developing countries. In case an organisation fails to meet these conditions, the Ministry can set a date by which the conditions must be fulfilled, suspend the payment of support, or demand a refund of paid instalments.

1. All those who are involved in development cooperation are guaranteed respect for their human dignity, human rights, culture, religion and ideology, and freedom from discrimination of any kind. Development cooperation supported by the Government must be free from all kinds of discrimination. The most common forms of discrimination are associated with religion, political or other ideology/opinion, conviction, gender, ethnic origin, caste, language, health situation, disability, sexual orientation, sexual identity, age or other personal attribute.
2. Development cooperation focuses on people subject to discrimination by society and communities. It addresses the root causes of poverty, injustice and discrimination. It seeks to change prevailing discriminatory attitudes and structures.
3. Provision of support must not be conditional upon the recipients' ideological or religious belief or political opinion or require conversion or prevent participation in development cooperation activities. Particular attention must be paid to this when working with minor children and youth. Funds granted for development cooperation must not be used to propagate an ideology, a religion or a political opinion.
4. Development cooperation promotes peaceful dialogue and fosters peace and partnerships in communities. It creates and employs approaches that broaden equal participation.
5. Good governance promotes sustainable development. Corruption and associated poor governance contribute to unequal access to development and weaken the

realisation of human rights. Anti-corruption work and tackling any suspicions head-on are conscious acts in an effort to improve the results and impacts of development cooperation.