

GENERAL CONDITIONS FOR THE USE OF DISCRETIONARY GOVERNMENT TRANSFERS GRANTED BY THE MINISTRY FOR FOREIGN AFFAIRS AND ADDITIONAL CONDITIONS FOR PROJECT SUPPORT

GENERAL CONDITIONS

Amount of discretionary government transfer

Discretionary government transfer may not cover the full amount of expenses caused by an activity or project for which the support has been granted, unless reasons necessary to and justified based on the objectives of granting discretionary government transfer dictate otherwise.

The share of self-financing varies depending on the form of support and will be informed in the Call for Proposal and in the discretionary government transfer decision.

Together with other forms of public support, the amount of discretionary government transfer may not exceed the maximum amount of discretionary government transfer or other public support laid down in European Union legislation or Finnish legislation.

Granting of discretionary government transfer

Within the framework of the appropriations approved by Parliament, discretionary government transfer is granted for the intended use set forth in the discretionary government transfer decision for either the recipient's own activities or project, or for assisting in the activities or projects of some other party implementing the intended purpose laid down in the discretionary government transfer decision.

If the discretionary government transfer is granted for assisting the activities or projects of a party other than the recipient to implement the intended purpose of the discretionary government transfer decision, the recipient organisation must sign an agreement with the party implementing the activities or projects on the use of the discretionary government transfer in accordance with the discretionary government transfer decision, on the monitoring of the use and on the applicable conditions.

Payment of the government transfer

The conditions for the disbursement of discretionary government transfer are defined in the discretionary government transfer 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 discretionary government transfer based on actual costs after an acceptable account on the use of the support has been provided to the Ministry.

An advance can be paid on the discretionary government transfer if this is justified in terms of the use of the support and its monitoring.

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

The MFA will pay the support based on the disbursement 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 Parliament has granted the funds for the purpose in question. The disbursement requests must take into account the timing of the costs. The additional conditions concerning the staggering of the payments will be included in the discretionary government transfer decision.

The recipient organisation and the MFA can together agree in writing that funding be carried over to the following year or financing period. Funds that remain unused at the end of a calendar year must be taken into account in the first disbursement request of the following year.

Use of discretionary government transfer

Discretionary government transfer may only be used for the purpose set forth in the discretionary government transfer decision. In assisted projects or activities, the recipient organisation must adhere to the conditions and restrictions incorporated in the discretionary government transfer decision.

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

of the discretionary government transfer or its final instalment.

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

The recipient organisation is fully responsible for any possible problems, claims and other ramifications resulting from the use of the discretionary government transfer. The recipient organisation is fully liable to the MFA for the appropriate use of the discretionary government transfer also insofar as the support has been used to assist the projects or activities of a party other than the recipient organisation. The legal relationship of the recipient organisation to the MFA is subject to public law. This means that the MFA may, for example, demand accounts, conduct inspections and recover misused discretionary government transfer from the recipient organisation even in the event that the recipient organisation has, if the discretionary government transfer decision permits, allocated some of the discretionary government transfer funds to the activities or projects of another party implementing the purpose defined in the discretionary government transfer decision. In other words, transferring discretionary government transfer to a third party does not in any way exempt the recipient organisation from its obligations/liabilities under public law. The recipient organisation must also clarify the use of the discretionary government transfer for the part that it has been handled by another party.

Eligible costs

Discretionary government transfer and the related self-financing portion 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 discretionary government transfer decision.

Changes to the use of funds

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

Procurement and prohibition of bribery

When using the government transfer, the recipient must take into account the obligations relating to competitive tendering under the Act on Public Procurement and Concession Contracts (1397/2016). Under section 5(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 recipient organisation 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 discretionary government transfer. Furthermore, the recipient assures that neither the actors for whose activities the recipient transfers part of the transfer funds, in accord with their purpose of use, nor the persons exercising control or supervisory authority in these actors, nor their employees or local representatives, have committed corruption or unlawful activity comparable to corruption (including corruption of a foreign civil servant) and will not commit such activity during the period of use of the government transfer. A breach of the assurance may result in claw-back of the paid government transfer or part of it on the basis of the Act on Discretionary Government Transfers (688/2001).

Should the recipient organisation discover that a person wielding its administrative or supervisory power, its employee or its local representative has misused funds received as discretionary government transfer, the recipient organisation must take immediate action to minimise the resulting damage and notify the MFA of the matter. The recipient must act in the same manner if it notices that an actor for whose activities the recipient has transferred part of the transfer funds, in accord with their purpose of use, or a person exercising control or supervisory authority in this actor or its employee or local representative has misappropriated received government transfer funds. The above mentioned notification to the Ministry for Foreign Affairs does not remove the MFA's right or duty to claw back paid government transfer or part of it from the recipient on the basis of the Act on Discretionary Government Transfers (688/2001).

In all activities, it is important that the recipient has sound governance and financial management structures and takes into account the instructions in the Anti-Corruption Handbook for Development Practitioners published by the Ministry for Foreign Affairs (ISBN: 978-952-281-026-7).

Intellectual property 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.

Recipient organisation's obligation to provide information

The recipient of the government transfer must provide the Ministry with correct and sufficient information for supervising compliance with the terms of the transfer decision. The recipient organisation is obliged to report on the use of the support in accordance with the discretionary government transfer decision.

Discretionary government transfer authority's supervisory duty

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

Right to audit

The MFA is entitled to conduct any such audits of the recipient organisation's finances and operations that are necessary for the payment of the discretionary government transfer and the monitoring of its use. If the discretionary government transfer has been granted pursuant section 7(2) to be used for the project or activities of a party other than the recipient organisation but in accordance with the discretionary government transfer 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 discretionary government transfer authority, assist the audit.

Auditing

The recipient organisation 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 discretionary government transfer and the monitoring of its use.

Interruption of payment

The MFA can decide to suspend the payment of the discretionary government transfer in the following cases:

- 1) There is reason to believe that the recipient of the discretionary government transfer 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 discretionary government transfer was granted have essentially changed.
- 3) The legislation of the European Community necessitates the suspension of payment.

Repayment

The recipient organisation must immediately return any discretionary government transfer or part thereof that it has received erroneously, excessively or obviously without justification. The recipient organisation must also return the discretionary government transfer or part thereof if it cannot be used for the purpose stated in the discretionary government transfer 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.

Duty to claw-back discretionary government transfer

According to the Act on Discretionary Government Transfers, the MFA is obliged to issue a decision to stop the payment of the discretionary government transfer and recover the support already paid if the recipient organisation has:

- 1) failed to return discretionary government transfer 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 discretionary government transfer or the conditions included in the discretionary government transfer decision in a manner comparable to sections 1–3.

Discretionary claw-back of discretionary government transfer

Pursuant to the Act on Discretionary Government Transfers, the MFA can issue a decision to stop the payment of discretionary government transfer and recover the discretionary government transfer already paid in part or in full if the recipient organisation 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 discretionary government transfer 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 discretionary government transfer;
- 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 discretionary government transfer.

If state-supported property has been destroyed or damaged during the period of use specified in the discretionary government transfer decision and new equivalent property is not procured to replace this property, the MFA can issue a decision to stop the payment of the discretionary government transfer and order an amount equivalent to the discretionary government transfer'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 discretionary government transfer and recover paid support if the legislation of the European Community so requires.

Joint liability

If discretionary government transfer has been jointly granted to more than one recipient organisation, all recipients are jointly responsible for repaying the support back to the MFA.

More detailed instructions from the discretionary government transfer authority

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

ADDITIONAL CONDITIONS FOR PROJECT SUPPORT

Amount of discretionary government transfer

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 recipient organisation, 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 in the form of service and material donations. Acceptable voluntary work conducted in the course of a project can include work performed by a representative of the recipient organisation seconded from Finland as well as project work carried out in Finland. In order to be approved as self-financing, the material and service donations must originate in Finland or the European Economic Area (EEA). The MFA's financing of projects which are designed to support persons with disabilities 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 recipient organisation must raise its self-financing from sources in Finland or from countries belonging to the EEA. Should the recipient organisation encounter problems in raising the required self-financing, the MFA, upon consideration, may also approve funds collected from outside the EEA as part of the self-financing. The recipient organisation must present its justifications for including the self-financing 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 to cover the self-financing of development cooperation projects. This also includes public support raised from outside Finland. Furthermore, funding raised in a developing country by the recipient organisation or the local partner cannot be included in the share of self-financing.

The rate at which self-financing is raised must be monitored and any potential problems must be reported to the MFA without delay. If the recipient organisation is unable to collect the planned self-financing, the scope of the project must be correspondingly curtailed so as to reach the minimum annual share of its self-financing of the project's total costs (15% or 7.5% in projects designed to support persons with disabilities).

Payment of the government transfer

The support is paid to the bank account indicated by the recipient organisation. To receive payment, the recipient organisation must supply the MFA with an appropriately filled disbursement request form. The requested amount 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 after the annual parliamentary approval of the Government's Budget. However, for disbursements for subsequent years, the recipient organisation must submit a brief progress report as well as an updated annual plan and budget, attached to the disbursement request, in accordance with the Ministry's instructions.

As a rule, funding for a certain year should normally be used during the year in question and be drawn no later than by the end of October of that year. Nevertheless, if the recipient organisation, prior to the end of October, presents the Ministry with reasonable cause for carrying over the unused funds to the following year, this may be agreed upon separately. Should the recipient organisation have withdrawn funding that remains unused at the end of the project's year of operation, a permission must be requested from the Ministry for a possible carry-over to the next year, by completing an application for change to the use of funds prior to the end of the project's year of operation.

10% of the funding granted for the project's final year will be withheld and paid after the final report has been approved.

The disbursement request must be submitted no later than one month before the suggested due date for payment. The first possible due date is 30 January.

Use of discretionary government transfer

If discretionary government transfer 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, contrary to the general conditions, no less than 15 years.

Eligible costs

The project's administrative costs may not exceed 10% of the project's actual total annual expenses (including administrative costs). Eligible administrative expenses include itemised administrative costs resulting directly from the project in Finland as

well as the share of the recipient organisation's general administrative costs that is attributed to the project in the organisation's 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.

The project's administrative costs can include fundraising expenses insofar as they are associated with raising the required share of self-financing for the project.

Personnel costs

Discretionary government transfer can be used to cover the necessary salaries as well as statutory non-wage labour costs, training costs, travel expenses and other comparable essential personnel costs. The recipient organisation must present a list of the names and job titles of the persons hired under the project funding and append it to the project document. Their pay must be based on a valid collective agreement indicated by the recipient organisation and/or on the average local pay level in the sector. The recipient organisation must keep up-to-date records of persons hired using the project funding, the lengths of their employments, their salaries as well as the terms of pay to ensure that the discretionary government transfer authority has access to this information on request. The recipient organisation 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 State Travel Regulations. 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 hours monitoring of all employees of the recipient organisation as well as its partners must be systematically organised in order to ensure sound governance and management and efficient use of resources. It must be possible to derive the working hours used for work in the project, including volunteer work, from the working hours monitoring.

The recipient organisation can also use the government transfer for expert costs necessary to the project.

Operating and maintenance costs

When using discretionary government transfer for procurements, the relevant regulations in the Act on Public Contracts and Concession Contracts and the applicable Government decrees must be taken into account.

Investments, such as construction, renovation and purchase of equipment, can only be supported if they constitute an essential part of the project implementation. Discretionary government transfer 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 recipient organisation must ensure that its local partner maintains an up-to-date list of any fixed assets procured with development cooperation support, the self-financing and changes in the value of these assets.

Operating expenses include costs arising from the use of local premises, such as rent, electricity, water and other property-related day-to-day costs. Operating expenses also include fuel expenses arising from the use of machines and equipment. 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 general public in Finland must be informed of the project. Communicating about the project refers to all the various communication methods that the recipient organisation employs to inform the Finnish public of the development cooperation project. Project support cannot be used for the recipient organisation's general communication or communication on other than development issues.

The recipient organisation 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 use of funds

In the event that the key objectives, activities or number of personnel change or cause a change of no less than 15% in budget lines, the recipient organisation must apply for a permission for a change in the use of funds from the Ministry in writing *before* initiating the operations in question.

Recipient organisation's obligation to provide information

Reporting

Following separate instructions from the MFA, the recipient organisation must electronically submit to the Ministry an annual report concerning the activities and use of funds for each project. The audit reports of the project are to be appended to the report, following separate guidance provided by the Ministry. In connection with the reporting, the recipient organisation must give an account to the Ministry of how it has addressed any possible remarks presented by the auditor.

When the project is completed and property is being handed over to the partner or another party, the matter must be agreed upon in writing to ensure that the property will continue to serve the intended purpose. A copy of the agreement of conveyance, signed by both parties, must be appended to the final report sent to the MFA.

The annual report must be sent to the MFA by the end of April in the year following the year for 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 funding has been used. In the last annual report of the project, the recipient organisation must provide the Ministry with an assessment of the results and impacts of the project and give an account of the lessons learned and their applicability to other situations. The Ministry for Foreign Affairs may also ask the recipient organisation to provide other clarifications as it deems necessary.

Annually submitted basic information form

The recipient organisation 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 recipient organisation's latest approved annual report, signed financial statement (profit and loss account, balance sheet, possible cash flow statement with appendices), the auditor's report, the action plan for the current year, and the budget must be sent annually to the MFA e-service together with the basic information notice.

Discretionary government transfer authority's duty of supervision

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 recipient organisation's accounts, property and other documents, recordings and other necessary material at the premises of the recipient organisation or by other means, and to inspect in other ways how the project is proceeding. For the purpose of monitoring compliance with the conditions, the recipient organisation 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 recipient organisation as regards the project.

Accounts and auditing

In its accounting, the recipient organisation must 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, (discretionary government transfer 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 recipient organisation must keep an inventory of the property that has been acquired with discretionary government transfer obtained from the Ministry. In Finland, receipts must be kept for six years. In partner countries, the local legislation must be complied with, but the receipts must be kept for at least six years. When the entire audit of a project is performed in Finland, all receipts will be kept there, and if they are in languages other than Finnish, Swedish or English, clarifications must be added in one of these languages.

The auditors chosen by the recipient organisation must audit the bookkeeping of the project as well as the annual report that is sent to the Ministry. One of the auditors must be an auditor approved by the Central Chamber of Commerce (a KHT auditor) or by the local Chamber of Commerce (an HTM auditor) or selected by the Finnish Board for Chartered Public Finance Auditors (a JHT auditor).

In the management of finances in the partner country, the local legislation must be complied with. 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 for auditing set by the authorities of the country in question. The recipient organisation must append a copy of the local auditor's report in the annual report sent to the Ministry.

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, the Development Policy Programme'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 Ethical Code of Conduct consists of conditions set by the Ministry for the use of government transfers. When receiving development cooperation support from the Ministry for Foreign Affairs, the recipient organisation pledges to apply and adhere to this Ethical Code of Conduct in its development cooperation in the recipient country. In case an organisation fails to meet these conditions for the use of the support, 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 participants in development cooperation are guaranteed respect for their human dignity, human rights, culture, religion and ideology, free from all forms of discrimination. 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 characteristic.
2. Development cooperation focuses on persons who face discrimination from society and communities. The cooperation addresses the causes of poverty, injustice and discrimination. It aims to change prevailing discriminatory attitudes and structures.
3. People's ideologies, religions, political positions or their changes must not set conditions for the availability of assistance or participation in development cooperation. This principle is particularly important in work with minors and young persons. Propagating ideologies, religions or political positions by development cooperation funds is not permitted.

4. Development cooperation supports peaceful dialogue and serves to promote peace and partnership in communities. The cooperation creates and uses means to promote equal participation of all.

5. Good governance promotes sustainable development. Corruption and related poor governance reinforce unequal distribution of development and consequently undermine the realisation of human rights. Measures to prevent corruption and to address suspicions are conscious actions to improve development results.