

Complementary instructions to the conditions for project support

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1. Principles of project support

The Ministry for Foreign Affairs (MFA) grants discretionary government transfers to Finnish civil society organisations (CSO) and municipalities for development cooperation projects in a specific region and timeframe. The supported projects must be in line with Finnish development policy. The projects must aim at durable changes. Project support does not entail permanent funding – instead, the scheme involves the provision of additional funds for a specific fixed period in order to develop the capacity of civil society or local government in developing countries. Project support is granted for new and continuing development cooperation projects.

The granting and use of discretionary government transfers are governed by the Act on Discretionary Government Transfers (688/2001). Project support applicants must also familiarise themselves with the general

conditions for the use of discretionary government transfers granted by the Ministry for Foreign Affairs and additional conditions for project support as well as other legislation relevant to the projects.

These instructions must be read together with the conditions for project support.

1.1. What is required of an applicant?

- Discretionary government transfer may be granted to a non-profit organisation or foundation that has, at the time of application, been registered in Finland for no less than two years. Discretionary government transfer may also be granted to a Finnish municipality, joint municipal authority or the Association of Finnish Local and Regional Authorities.
- The applicant must submit to the MFA the appendices concerning the organisation or the municipality cited in the basic information notice.
- The applicant must have sufficient personnel, administrative and financial resources to complete and administrate the development cooperation project for which discretionary government transfer is applied. The applicant must also have the capacity to cover the project's self-financing.
- The applicant affirms that it, or a member of an administrative, management or supervisory body in its organisation or its authorised representative or a person with decision-making or supervisory power in it has not in the last five years been sentenced by a final decision to a punishment for any of the offences listed in the mandatory appendix 2 to the application, and these persons are not evading justice. The applicant also affirms that a penalty fee referred to in appendix 2 has not been imposed on it by a final decision in the year the state support is granted or in the preceding two years.

1.2. What is required of a development cooperation project?

The project application must meet the following minimum criteria:

- The applicant must present the required self-financing in the application in compliance with the general conditions for the use of discretionary government transfers granted by the Ministry for Foreign Affairs and additional conditions for project support.
- The project is implemented in a developing country as defined by the OECD Development Assistance Committee (DAC).
- The applicant has a local partner with which the applicant prepares a letter of intent for the implementation of the project.
- The project must strengthen the capacity of the local civil society in compliance with the Guidelines for Civil Society in Development Policy 2017. Projects involving municipal actors must aim to develop the capacities of local authorities.
- The project promotes at least one priority areas of the Finnish development policy as presented in the aforementioned Government report (4 February 2016).
- The project is, at the very least, human rights-sensitive – i.e. takes human rights into account – as defined in the [Human Rights-Based Approach in Finland's Development Cooperation guidance note \(2015\)](#).

As a general rule, the partner must be a locally registered body. In justified cases, the partner can be a clearly delineated corporation or group of citizens that has, at the time of submitting the application, operated in the target country for at least a year. The partner can also be an international organisation operating in the partner country or an organisation representing the local government. For example,

sufficient justification may be found in the case of a minority that is in a sensitive position in the partner country in terms of human rights issues. Prior to filing the project support application, the partners must sign a letter of intent, which must be attached to the application. After receiving a positive discretionary government transfer decision, the recipient must deliver the signed cooperation agreement through the Ministry's electronic service attached to a complementary information form or in conjunction with the first annual report, at the latest. See also section 3.1 (Cooperation agreement).

1.3 Application assessment criteria

When assessing the applications, particular emphasis will be placed on the following criteria:

- The project develops the capacity of the local civil society, or local authorities in case of municipal actors, in keeping with the [Guidelines for Civil Society in Development Policy](#).
- The project plan clearly indicates the change that is aimed at through the project. The project has a logical result chain and indicators that measure the result objectives. A baseline study has been conducted for the project, or at minimum a plan has been prepared on performing the study.
- Sustainability of project results and exit plan.
- The project is implemented in a least developed country as defined by the OECD's DAC or in a fragile state ([as defined by the OECD](#)).
- The project involves justified and planned value-adding partnerships between various actors, such as other organisations, municipalities, companies or educational institutions.

The following criteria will also be applied to the assessment of applications:

- The applicant has special expertise in the field of the project.
- The application demonstrates that the applicant is properly informed of the local partner's background, activities, competence and resources.
- The level of human rights consideration and consideration of the human-rights based approach in the project.
- Justification of the selected beneficiaries and the engagement and ownership of these parties.
- Coverage of the project's risk analysis and risk management plan.
- Quality of the project's monitoring and evaluation plans.
- Feasibility of the project's schedule and budget and their justifications.
- The project plan gives due consideration to the operations of other actors in the same sector and indicates any possible confluence and areas that complement each other.
- The applicant demonstrates knowledge of the objectives of the recipient country's own development strategies. If necessary, the applicant justifies any deviations from the country's development strategies.
- In projects conducted in Finland's bilateral partner countries, the applicant takes into account other activities supported with Finnish development cooperation funds.
- Goals and quality of the project's communication plan.

As regards continuation project applications, the following matters are also assessed:

- Justifications for the necessity of the continuation project.
- Results of the preceding phase of the continuation project and utilising the experience in the continuation project plan.
- Implementation of a project supported previously and compliance with the conditions of a discretionary government transfer decision.

In addition to the criteria listed above, overall consideration will be applied in the assessment, the elements of which include any demonstrable experiences and evaluations of the applicant's potential prior activities implemented with MFA funding, and the totality of projects to be supported in relation to the objectives of the Finnish development policy presented in the Government Report (4 February 2016) and the Guidelines for Civil Society in Development Policy.

2. The application and decision process for project support

2.1. Basic information form – information on the applicant

Applicants must submit a basic information form, including appendices, each year during the duration of the project. The applicants are requested to submit their basic information form by 30 April 2018. In order to apply for project support from the Unit for Civil Society, the applicant needs a user ID given in the acknowledgement of receipt of the basic information form. Once it has processed the basic information form, the Unit for Civil Society sends the acknowledgement of receipt containing this ID to the applicant's e-service account. The basic information form only needs to be submitted once a year even if the applicant is applying for several types of government transfers from the Unit for Civil Society in the same year. The same user ID given in the acknowledgement of receipt should be used to submit all applications of the same applicant.

The basic information form is to be filed via the e-service using the electronic form provided on the website of the Ministry for Foreign Affairs. The basic information form and the documents to be appended to it may be supplemented after submission using the complementary information form.

2.2. Applying for project support

The calls for project support applications are published on the MFA website. The call for proposal provides more specific information concerning the application process, including deadlines for each application period. To download the project support conditions, instructions and application forms from the MFA website, navigate to > Services and financial support > All services and financial support A-Z > Development Cooperation support for Finnish CSOs > Development Cooperation: Project support.

Discretionary government transfer can be applied for new projects or follow-up projects. The applications are to be submitted electronically using the MFA's forms by the deadline specified in the application notification.

The support application form must contain all information necessary with regard to the support being applied for and the planned project. The applicant may provide complementary information in the project document to be appended to the form. The discretionary government transfer decision for the project will be made based on the information provided in the project application, the applicant's basic information form as well as the appendices to these documents.

2.3. The processing of and decisions on project support applications

Once the decision on the allocation of project support has been made, the Ministry will send the discretionary government transfer decision and its justifications to the applicants. Applicants will receive the decision electronically to their e-service accounts. Project support can be granted for 1–4 years at a time.

The recipient of the discretionary government transfer commits to receiving the government transfer under the terms prescribed in the government transfer decision by submitting a commitment concerning the decision within 30 days of receiving the decision. To download the commitment form from the Ministry for Foreign Affairs website, navigate to > Services and financial support > All services and financial support A-Z > Development Cooperation support for Finnish CSOs > Development Cooperation: Project support.

3. Project implementation and reporting

3.1. Cooperation agreement

After being granted discretionary government transfer, the recipient must sign a cooperation agreement with its partner. The following matters must be considered when preparing the cooperation agreement:

- The Finnish recipient of the government transfer and local partner must sign a written cooperation agreement in which they specify at least the purpose and objectives of the cooperation, their roles and responsibilities, their authorised representatives as well as the duration and the terms for the termination of the agreement.
- Since the Finnish recipient of the government transfer is fully liable to the Ministry for Foreign Affairs for the use of project support, the agreement should oblige the local partner to the following actions:
 - Expend the funds in accordance with the discretionary government decision.
 - Make the local partner's finances and activities available to representatives of the Finnish beneficiary during inspections.
- The agreement should state that since the project is being financed by the MFA under the Act on Discretionary Government Transfers, the Ministry for Foreign Affairs has the right to inspect the activities and finances of the local partner. Additionally, it is important to specify at which stage the implementation of the project transfers to the local partner in full.
- If the project is a joint initiative involving multiple actors, the cooperation contract must clearly determine the relevant roles and responsibilities. The recipient of the state support decision is responsible to the MFA for the use of the discretionary government transfer.
- The requirements under the Act on Public Procurement and Concession Contracts must also be complied with in the cooperation agreement.

3.2. Payment of project support

To download the payment request form from the Ministry for Foreign Affairs website, navigate to Services and financial support > All services and financial support A-Z > Development Cooperation support for Finnish CSOs > Development Cooperation: Project support.

Project support is paid annually in two instalments. The support may be paid in a single instalment if this is the final instalment of the project, or a particularly small amount.

The organisation must withhold 10% of the amount granted for the last year of the supported project in the payment request for that year. The withheld amount will be paid once the final report has been approved on submission of a separate payment request. If new support is granted for the continuation of the same project, the instalment withheld in the final year of the previous funding period can be paid once a decision to grant continued project support has been made.

See section 'Disbursement of state support' in the additional conditions for project support.

3.3. Changes to the use of funds

To download the change of use application form from the MFA website, navigate to Services and financial support > All services and financial support A-Z > Development Cooperation support for Finnish CSOs > Development Cooperation: Project support.

The change of use application form is used for requesting changes to the usage plan and applying for transferring unused state support (withdrawn and not withdrawn) to the next year.

3.4. Self-financing of the project

The monetary share of the self-financing must be entered into the beneficiary's bookkeeping. In addition to this, the MFA recommends entering voluntary work, services received and item donations in the beneficiary's bookkeeping, so that they are recorded as earnings and expenses.

The value of voluntary work is determined based on reasonable gross salary payable for comparable work in the country in which the voluntary work is conducted.

The value of service and material donations is calculated on the basis of their current value. The going rate is the normal market price of items or services at the time. The estimated value must be documented and presented in the project's financial report. If the donation is especially high in value, or is a special item, experts should be used in appraising its value. The expert's written estimate must be appended to the financial report.

3.5. Project reports and audits

To download the annual report form from the MFA website, navigate to > Services and financial support > All services and financial support A-Z > Development Cooperation support for Finnish CSOs > Development Cooperation: Project support.

The audit instructions can be found in the appendices of this instruction document.

The annual report presents the results of the project on the basis of the approved project plan and budget. Any delay or neglect to report will lead to suspension of disbursements and a denial of new project support.

The final annual report of the project must examine the results and impact of the project as well as the experiences gained and their applicability. The final report should especially analyse the following issues:

- **Project impacts:** Did the project achieve its result objectives? How did the lives of the beneficiaries change as a result of the project? Did the project have any other positive or possibly even negative effects, and whom did they impact? How did the project affect the position of the most vulnerable groups of people? Has an evaluation of the project's effects been prepared (if so, please append it to the report)? How have the recommendations given in the potential evaluation been processed with the partner? Also append any response to the evaluation.
- **Project challenges:** Did the project fail to achieve some of its objectives, if so, why? What other challenges were encountered during the project? Project risk management: evaluate the project's risk management and the realisation of risks throughout the project.
- **Sustainability:** Are the project's results sustainable? What are the main risks related to sustainability? What was done to ensure sustainability in the project's exit phase? Provide concrete examples.

- Wider applicability of the results: How can the outcomes of the project, operating models developed during it and methods proven effective be applied in other projects? How will these experiences be used in the future and shared?

The MFA will process the final report within two months of receipt. However, the approval of the final report will be contingent on the need for any additional clarifications and whether or not they are provided.

Annex 1. Audit instructions

Auditing the use of development cooperation support granted by the Ministry for Foreign Affairs to CSOs and municipalities (beneficiary)

The Ministry will issue updated instructions for auditors in 2018. After the update, the valid instructions can be accessed on the MFA website.

Instructions to the auditor conducting the audit

Beneficiary's obligation to have the project audited

The beneficiary is always ultimately responsible for the implementation of projects and must be able to demonstrate to the Ministry for Foreign Affairs that it uses the support in accordance with the general and additional conditions for project support, the supplementary project support instructions as well as the provisions of the Act on Discretionary Government Transfers (688/2001).

As per the additional conditions, beneficiaries have to report annually by the end of April on their activities and use of funds during the previous calendar year. By means of the annual report, the Ministry's Unit for Civil Society seeks to make sure that the progress of the project and the use of funds within it correspond to the state support decision and the approved project plan and that the conditions for state support and the applicable instructions and provisions have been observed. The auditor has to provide a statement on the project's reported use of the funds in full.

The auditor's report is appended to the beneficiary's annual report delivered to the MFA. Irrespective of the progress of the project, the beneficiary always has to submit an annual report to the Ministry, including appendices, by the due date.

If local expenses are entered into the partner's bookkeeping in the target country, they must be locally audited. Auditors in the country of operation have to submit a separate report on expenditures recorded in the country as well as on the accounts rendered by the local partner. A copy of the audit report by the local auditor must be attached to the annual report delivered to the MFA.

Attached to these instructions, there is an auditing report (Appendix A) in the required format and separate instructions (Appendix B) for the auditor in the country of operation.

NOTE: The beneficiary's financial statement documents must also be provided as appendices to the basic information notice in accordance with the additional conditions for project support.

General qualifications of the auditor and the obligation of the organisation to choose a chartered auditor

The auditor must have sufficient expertise and experience in accounting, financial and legal matters and auditing as is necessary in light of the nature and scope of the activities of the organisation or foundation. A person who is bankrupt, under guardianship or barred from conducting business cannot be selected to be the auditor. The same applies to a natural person whose legal capacity has been restricted. (Auditing Act 1141/2015, sections 6(2) and 6(3))

If state support exceeds EUR 10,000 / project, one of the auditors must be an auditor or auditing firm approved by the Central Chamber of Commerce (a KHT auditor or auditing firm) or by the local Chamber of Commerce (an HT auditor or auditing firm) or selected by the Finnish Board for Chartered Public Finance Auditors (a JHT auditor or auditing firm). Projects smaller than this 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 bookkeeping and auditing with respect to local costs takes place in the target country, the beneficiary has to make sure that the hired auditor fulfils the requirements of the public authorities of the country in question. In the country where the audit is conducted, it is advisable to use the services of authorised auditors or auditors who belong to a well-known international auditing network.

Content and object of audit

In carrying out the audit, the auditor has to observe good auditing practice. A beneficiary that receives development cooperation support has to make sure that the auditing of the use of support has been duly organised both in Finland and the target country. The beneficiary's Finnish auditor's report is based on the organisation's own audit of its bookkeeping in Finland (the beneficiary's project costs in Finland as well as funds remitted to the organisation in the target country and reports on their use). Correspondingly, reports produced by the partner's auditors in the target country are based on local expenses and accounts prepared by partner organisations.

The beneficiary must supplement the annual report with the following appendices:

- a standard format audit report (Annex A) and
- the project auditor's brief, free-form summary of the findings and suggestions for improvement related to the use of project support, if such a summary has been provided by the auditor.

In addition to what is required by good auditing practices, auditors have to ensure that the use of the project support complies with the general conditions for the use of state support granted by the MFA, the additional conditions for project support, the supplementary project support instructions, provisions concerning state support and the Act on Discretionary Government Transfers (688/2001). The following must also be checked during the audit:

1. The beneficiary has signed written cooperation agreements with the partners that will be given a part of the support for project-related activities.
2. All expenses of the financial report can be derived from the beneficiary's bookkeeping, and the expenses are based on appropriate receipts and itemisations.
3. The financial section of the annual report corresponds to the Ministry's state support decision, the commitment and the approved project plan. Significant budgetary overruns and/or undercuts have to be duly accounted for in the annual report and they must include references to the Ministry's approval.
4. The activities described in the annual report correspond to the cost specification (to be verified to the extent possible).
5. The beneficiary's self-financing has been realised as recorded in the annual report and in accordance with additional conditions for project support. The monetary portion of the self-financing is based on the beneficiary's bookkeeping, and the voluntary work reported as self-financing has been accounted for in the appropriate manner.
6. The administrative expenses set out in the project's annual report comply with the additional conditions for project support.
7. Interest and foreign currency items and other possible profits accrued from the support (if relevant) are duly reported and used for the purposes of the project.

8. The beneficiary has made appropriate arrangements for the audit in the target country. The beneficiary has organised appropriate monitoring of possible findings and recommendations generated by the audit.

9. Withdrawn but unused support in the accounting period is duly recorded in the annual report and in the beneficiary's bookkeeping.

Auditing the project can, naturally, also include other measures.

Project audit instructions**Appendix 1 A****Standard format audit report****Audit report****For AAA (beneficiary)**

I have audited the expenses of the development cooperation project **name of project** conducted by AAA between **day month year** and **day month year**. The reported total expenses of the project stand at EUR XX XXX. The annual report has been compiled by the programme coordinator of this project, **name of programme coordinator**.

The audit has been conducted in accordance with the auditing instructions concerning development cooperation support granted to CSOs and municipalities by the Ministry for Foreign Affairs and, as appropriate, international auditing standards. According to the recommendations, an audit is planned and conducted in order to reach sufficient certainty of whether the annual report and its specifications which are audited include any essential mistakes or shortcomings. The audit concentrates on the examination of the material on which the figures and other information presented in the report, including itemised costs, are based. The audit also assesses the principles of preparing the annual report and itemised costs as well as the manner of presentation.

It is my understanding that the bookkeeping and the part of the annual report concerning the use of funds, including itemised costs, essentially comply with the general and additional conditions for project support, the supplementary project support instructions as well as the provisions of the Act on Discretionary Government Transfers (688/2001). I pronounce that the annual report to the Unit for Non-Governmental Organisations of the Ministry for Foreign Affairs can be approved.

In the alternative:

Essential faults or deficiencies were found during the audit. The matters that are contrary to the essential terms and conditions are listed below or in a separate account.

Date and place

The auditor's signature

Clarification of signature and authorisation

Project audit instructions

Appendix 1 B

Audit instructions for the auditor in the country of operation

The instructions are given in English in order to facilitate work with the cooperation partners. The extent and content of the audit in the country of operation must cover at least the auditing measures listed in these instructions.

Audit Instructions for a Development Co-operation Project whose financial support is channelled through a non-governmental organisation or municipality in Finland

SCOPE

We ask you to conduct a Special Purpose Audit concerning the Development Co-operation Project [**Name of project**] of [**Organisation**].

According to the Ministry for Foreign Affairs of Finland's general conditions regarding support to non-governmental organisations and municipalities, the receiving organisation must observe principles related to good governance and anti-corruption activities. State support shall be used only to cover expenses considered to be necessary and reasonable in carrying out the project activities. The support receiving organisation shall in its accounting follow the generally accepted national accounting principles (GAAP). The audit should be carried out in accordance with International Standards on Auditing as applicable and relevant national legislation and standards.

The nature of a development cooperation project is as follows:

- A project is not a legal entity but an accounting subject
- It can include transactions in more than one legal entity (e.g. partner or subsidiary)
- It does not prepare statutory Financial Statements
- The statements under audit are the Financial Project Report and the List of Fixed Assets
- Fixed Assets are not capitalized but recorded as cost when purchased
- The Materiality Level in each audit finding is the equivalent of 200 Euros.

REPORTING

We ask you to further send the Auditor's Report to the co-operation partner in Finland both by email and by regular mail. The report must be written in English and include the following items:

- Project number and name
- Implementing organisation
- Date of the co-operation agreement
- Reporting period and currency
- Exchange rate used in the Financial Project Report
- Total amount of budgeted income and expenditures (including balance from previous year)
- Total amount of actual income and expenditures (including balance from previous year)
- Closing balance (including cash, bank and other assets like advance payments and outstanding checks)
- Auditor's name, position, address, phone, fax and e-mail
- Date, auditor's signature and authorization
- Opinion on the issues below

OPINION

The auditor's report contains an opinion on the following issues:

- Does the Financial Project Report match with the Bookkeeping?
- Does the Financial Project Report correspond with the co-operation agreement?
- Do the received funds match with the Bookkeeping?
- Does the Bookkeeping match with the Vouchers?
- Are there proper Vouchers for the transactions?
- Is there an adequate Bookkeeping, including Journal and General Ledger?
- Do the changes in the List of Fixed Assets match with the Vouchers?
- Does the Bookkeeping match with the Official Bank Account Statements and Cash Book?
- Does the opening balance of funds correspond with the audit report of last year?
- Is the approved Financial Project Report free of material misstatement?
- Are the received, unused funds properly recorded as a liability in the balance sheet and included in the ending balance of the Financial Project Report?
- Are the recorded expenses in the Financial Project Report in line with the approved original budget and activity plan? The report should contain explanations of deviations larger than 15 percent.
- Is the internal control system of the organisation in place? Are there any material weaknesses that the organisation should improve?
- Do the salaries of the project personnel match with existing properly signed employment contracts and does time recording exist?
- Has social security expenses including pensions and taxes been recorded and paid to relevant authorities in accordance with the national legislation?
- Does the organisation have copies of all valid essential contracts (government, trading, rental, lease, service agreement)?