

## **Annex 3**

(Updated on 4 June 2012)

### **CSO Commitment**

***By virtue of a decision, HELXXX-XX, dated 00 Month 20xx, the Ministry for Foreign Affairs has granted discretionary government support to XX to finance the organisation's development cooperation programme in 20xx-20xx. In line with this Commitment, the CSO undertakes to use the support according to the decision and its annexes as well as the terms and conditions set in this Commitment.***

#### **1. General obligations**

1.1. This Commitment complements the decision on discretionary government support (referring to the decision HELXXX-XX, dated 00 Month 20xx) and its annexes and the Partnership Agreement between the Ministry for Foreign Affairs (hereinafter referred to as "the Ministry") and a civil society organisation (hereinafter referred to as "the CSO"); the general obligations of these documents shall be applied to the activities of the CSO that are funded by the Ministry (hereinafter referred to as "the Programme"). The Ministry's development cooperation support to the CSO is EUR X.XXX.XX in 20XX, EUR X.XXX.XX in 20XX and EUR X.XXX.XX in 20XX, to be used in accordance with the Programme Plan (Annex 1) and its annexes based on the respective annual plans provided that the necessary appropriations are granted in the Budget and the CSO complies with the terms and conditions of the decision on discretionary government support and its annexes, this Commitment, and the Partnership Agreement.

1.2. The Ministry reserves the right to an annual reassessment of the appropriateness of the decision to grant support in so far as required by the implementation of the NGO Development Cooperation Guidelines of 2006 or because of changes in the goals established for the use of the support.

1.3. The CSO undertakes to comply with the terms and conditions concerning the development cooperation support agreed in the Partnership Agreement and the guidelines given in the decision on government support and its annexes, in this Commitment and other instructions relating to the use of the support issued by the Ministry. Granting and use of the support is also otherwise subject to the principles that the Ministry observes when financial support is granted to Programmes carried out by CSOs. The EU's co-financing projects do not fall under the framework of the aforementioned Programmes carried out by CSOs

#### **2. Financial contributions**

2.1. The Ministry's support shall not be in excess of 85% of the annual total costs of the Programme Plan. In respect of Partnership Programmes concerning persons with disabilities, the Ministry's support shall not exceed 92.5% of the total costs.

2.2. The CSO undertakes to take responsibility for contributing at least 15% and, in respect of Partnership Programmes concerning persons with disabilities, at least 7.5% of self-financing of the total annual costs of a completed Programme Plan. The source of the self-financing has to be explained to the Ministry. Support received by the CSO or its partner from the Government or other public government entities may not be used to complement the self-financed part. Furthermore, funds collected from the country of operation must not be directed to the self-financed part either. However, CSOs are encouraged to otherwise support local fund-raising activities and incorporate local financing to their Programmes' local functions. Self-financing has to originate in the European Economic Area (EEA).

2.3. The accrual of self-financing has to be monitored and possible problems must be reported to

the Ministry without delay. If the CSO is unable to gather the planned share of self-financing, the Programme has to be reduced accordingly so that the self-financing corresponds to the required minimum amount of the total costs recorded in the Programme Plan.

### **3. Use of the support**

3.1. The CSO is responsible for the detailed content and implementation of the Programme in accordance with the terms and guidance set for the use of government support by the Ministry. Support for development cooperation is granted in the form of discretionary government support in accordance with the Act on Discretionary Government Transfers (Valtionavustuslaki 688/2001). The CSO itself takes responsibility for the difficulties, requests and other implications that may arise in the course of the implementation of the Programme. Support for development cooperation can be used only to cover expenses that are essential for the materialisation of the Programme and which are considered reasonable, or as is provided for by the Ministry when the support is granted. The CSO must show appropriate carefulness in the use of the resources while carrying out its activities, managing its finances and concerning its travel expenses.

3.2. If the CSO purchases goods or services for its activities, a clause has to be included in both the invitations to tender and the delivery contract, on the basis of which a tender can be rejected and a decision cancelled in case corruption is detected linked with entry into the contract or its implementation.

### **4. Bookkeeping and audit**

4.1. The regulations of the Accounting Act and Decree (Kirjanpitolaki ja -asetus 1336/1997) and a good bookkeeping practice must be observed in the bookkeeping of the Programme. In the CSO's bookkeeping, the use of development cooperation support and the required self-financing must be recorded so that they can be easily followed. Information necessary from the point of view of bookkeeping must become evident from the receipts, which must be archived and kept available for examination by the Ministry and partners authorized by the Ministry.

4.2. The CSO's Board takes care that the audit of its own and its partner's bookkeeping in respect of the Programme's expenses is conducted in accordance with the international audit standards and the audit instructions applying to development cooperation projects confirmed by the Ministry. Auditors chosen by the CSO shall audit both the books and financial reports. One of the auditors has to be an authorized public accountant (KHT auditor, approved by the Central Chamber of Commerce), a chartered public finance auditor (JHTT auditor, selected by The Finnish Board for Chartered Public Finance Auditors) or an HTM auditor (approved by a local Chamber of Commerce). When local costs are audited, the auditor has to be authorized in the country of operation.

4.3. The CSO has to keep an inventory of its assets, purchased using the support from the Ministry or its self-financing.

### **5. The Ministry's right of supervision**

The Ministry or an auditor assigned by it, the National Audit Office of Finland and state auditors have the right to audit the CSO's all activities if required. The CSO undertakes to assist the organisation in carrying out the audit or evaluation. In connection with the audit, the auditors have the right to examine the CSO's entire bookkeeping, assets, documents, records and other material. The Ministry can outsource wholly or partly the supervision and audit of the Programme's project management, for which separate instructions are issued. The CSO makes correct and sufficient information about its activities available for the Ministry or its authorized staff

member/company free of charge.

## **6. Programme Plan and annual plan**

6.1. A Programme Plan (Annex 1), an annual plan (Annex 2), a valid Action Plan and Budget (Annex 3) and the most recent financial statement (Annex 4) are appended to the Commitment. In accordance with the Instructions concerning the Partnership Agreement Scheme, the Programme Plan specifies the detailed objectives and goals of the Programme in the financial period under review and the actions to accomplish them as well as defines what indicators are used to assess and evaluate the impacts and effectiveness, and a plan for this assessment. The annual plan, development communications plan and the recruitment plan are described in greater detail in the Instructions concerning the Partnership Agreement Scheme. A description of the resources to be used for administration, including the determination criteria of labour costs, is also included.

6.2. Applications concerning a new financial period are submitted by the end of August of the previous financial period. Appended to the application is a description of the CSO's development cooperation programme, Programme Plan, annual plan pertaining to the first year of the financial period and the CSO's Action Plan, Budget and financial statement. The CSO e-mails the application together with its annexes to the Ministry in two copies. The Ministry approves the CSO's Action Plan and annual plan when the support is granted.

6.3. The Programme Plan is subject to an annual review. The CSO provides its annual plan for the next year, including Programme Plan revisions, by the end of October of the previous year. The plans are approved in the partnership consultations in writing.

## **7. Disbursements**

7.1. The Ministry's support is paid, based on requests for disbursement by the CSO, in instalments appropriate from the point of view of the implementation of the Programme on the CSO's bank account provided that the terms and conditions set for the use of the support have been met. Support concerning the years following the first year of support will be payable without a separate decision after the Budget proposal for the year in question has been approved in Parliament. In accordance with the Act on Discretionary Government Transfers (Valtionavustuslaki 688/2001), the timing of expenditure is taken into account in the requests for disbursement. The last request for disbursement in a year has to be submitted to the Ministry by the end of October.

7.2. In case the CSO has not, because of delayed projects, for example, withdrawn the granted support by the end of October, the CSO and the Ministry can jointly agree about a carry-over to the next year or the subsequent financial period. At the end of each calendar year, unspent funds have to be taken into account in connection with the first request for disbursement of the year.

7.3. Unspent withdrawn support has to be recorded in the CSO's balance sheet. The parts of the support spent during the next or subsequent account periods have to be recorded as profit of the account period during which they are used. The CSO has to try to minimise the number of carry-overs.

7.4. Within the Programme Plan, the CSO is entitled to transfer support from one project or programme entity to another. Should this involve new projects or a significant operational change, the transfer has to be submitted for approval by the Ministry. Changes to the programme content during a financial period are discussed in the partnership consultations. Any changes to an approved annual plan call for the Ministry's approval.

7.5. At the most 10% of the Programme's total expenses (covered by the development cooperation support from the Ministry and the CSO's 15% self-financing, including administrative

expenses) can be included in the Programme's direct administrative expenses. If they wish, CSOs can alternatively apply 7% Flat Rate Scheme used by the European Union. In that case, there is no need for a break-down of administrative costs.

## **8. Reporting**

8.1. By the end of August, the CSO shall present to the Ministry an annual report dealing with the previous year's Programme as a whole, its materialisation and use of the funds. The annual report is a survey of the CSO activities from the perspective of the sustainability of the impacts and effectiveness of the Programme's different sections, supplemented by an analysis of their links to the attainment of the Millennium Development Goals (MDGs) mentioned in the Programme. Attainment of the goals and results is illustrated by means of certain indicators. The content of the annual report is described in greater detail in the Instructions concerning the Partnership Agreement Scheme. When a financial period comes to an end, the CSO's annual report deals with the financial period and accomplishments in the year under review but also serves as a final report of the entire period. Persons authorized to sign the CSO's documents shall sign the reports dealing with the Programme.

8.2. The CSO shall send to the Ministry completed reports of evaluations that it has carried out itself during the year or which it has outsourced to external consultants with a view to measuring and assessing the impacts and effectiveness of the Programme. The annual report includes the CSO's conclusions and actions that have been started based on received recommendations.

8.3. The annual report is complemented by the auditor's reports in accordance with the Ministry's instructions. The CSO has to present to the Ministry an auditor's report, on request, on each project as well a separate auditor's statement confirming that the support received by the CSO from the Ministry has been used in accordance with the set terms and regulations pertaining to discretionary government support.

8.4. The CSO shall ensure that reports produced by its monitoring systems not only cover the programmes but also communicate more detailed material on different projects/countries, available to the Ministry as required. The Ministry can, for a valid reason, ask CSOs to provide other clarifications that it deems necessary.

8.5. CSOs shall undertake to maintain general descriptions of ongoing activities and projects on their web sites. Their annual report can also be accessed on their web sites.

## **9. Failure to comply with the terms, recovery of support and other terms relating to the transfer**

9.1. Consequences of failure to comply with the terms and conditions

In case of failure to comply with the terms and conditions established for the use of its support, the Ministry can

- set a due date for fulfilling them
- discontinue disbursements to the project or the whole Programme
- order refund of disbursements to the project or the whole Programme.

9.2. Suspension of payments

The Ministry can decline to pay the granted support wholly or partly if there is a justified reason to suspect that the CSO does not act in accordance with the terms and conditions set for the use of the support

- the grounds for the support have essentially changed or
- the Act on Discretionary Government Transfers or EC legislation provides for suspension of payments.

### 9.3. Refund of transfer

The CSO is obligated to immediately refund

- the part of the support that has remained unused when the Programme closes or is suspended or if the support cannot be used for some other reason for the purpose required in the decision concerning the support
- the part of the support for which a corresponding self-financing has not been generated
- the part of the support which has not been used within the period of time set in the terms concerning the support, unless an extension has been granted by the Ministry
- support or a part of it which has been obtained otherwise based on a mistake, unduly or obviously without grounds
- what is required in the Act on Discretionary Government Transfers or EC legislation.

### 9.4. Recovery of transfer

The Ministry has the right to decline to pay a granted support and recover a paid support or a part of it with interest if

- the CSO has failed to refund support that is classified refundable in paragraph 9.3
- the CSO has used the support for a purpose that essentially differs from for which it was granted
- in order to obtain the support, false or misleading information has been provided or such facts have been concealed as would essentially affect the granting, amount or grounds of the support
- the CSO does not provide the report and clarifications required in paragraph 8 by the due date or it hinders the monitoring of the use of support
- the CSO's capacity to take responsibility for the supported activities has essentially deteriorated because of execution, liquidation, bankruptcy or other similar reason
- the CSO fails to otherwise observe the terms and conditions set for use of the support by the Ministry or the regulations concerning valid discretionary government transfers and their use
- what is required in the Act on Discretionary Government Transfers or EC legislation
- the valid regulations concerning government support give grounds for discontinuance or refund of the support or there is some other special reason for it similar to the ones mentioned above.

### 9.5. Interest

The CSO has to pay a penal interest on the refunded or recovered amount in accordance with section 4 and section 12 of the Interest Act (Korkolaki 633/1982).

## 10. Other regulations

The CSO has to transfer responsibility for all its obligations, as appropriate, based on this Commitment and the guidance given to partnership organizations also to its partners of cooperation. However, the CSO is fully responsible for the correct use of the support to the Ministry. The CSO has to comply with the general regulations concerning discretionary government support provided for in the Act on Discretionary Government Transfers (Valtionavustuslaki 688/2001) and other regulations concerning discretionary government support and their implementation in force while the Programme is under way as well as the principles of the Partnership Programme and the Instructions concerning The Partnership Programme Scheme, including any supplementary orders of the Ministry for Foreign Affairs, presented on the Ministry's web site ([www.formin.fi](http://www.formin.fi)).

## 11. The Commitment's validity

The Commitment and its obligations shall enter into force on the date of signature. The Commitment shall be in force until the end of the financing period or until the reports and clarifications concerning the financing period, submitted by the CSO, have been approved by the Ministry and the CSO's obligations have been fulfilled also otherwise. If the terms and conditions

of the Commitment are not fulfilled or the financing period is discontinued prematurely for some other reasons, the CSO has to immediately refund the part of the disbursed support that has not been used for the purpose adopted in the Partnership Agreement.

Place and date \_\_\_\_\_ 20\_\_\_\_\_

On behalf of the CSO

\_\_\_\_\_  
*position/task*

\_\_\_\_\_  
*postition/task*

ANNEXES:

1. Programme Plan xxxx –xxxx
2. CSO's valid Action Plan and budget