

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

GENERAL TERMS AND CONDITIONS

Amount of discretionary government transfers

A discretionary government transfer must not cover the full amount of the costs arising from the operations or project subject to the discretionary government transfer, unless otherwise provided by justified reasons necessary for the achievement of the objectives of the discretionary government transfer.

The amount of the self-financing requirement varies by form of transfer and is announced in the application notification and the government discretionary transfer decision.

The total amount of the government discretionary transfer and other public subsidies must not exceed the maximum amount determined for discretionary government transfers or other public subsidies by the laws of the European Community or Finland.

Granting of discretionary government transfers

Within the scope of the appropriations granted by Parliament, a discretionary government transfer is granted to be used in line with the purpose specified in the discretionary government transfer decision for the recipient's own operations or project, or for operations or a project other than those of the recipient that fulfil the purpose specified in the discretionary government transfer decision.

If the discretionary government transfer is granted to be used for operations or a project other than those of the recipient that fulfil the purpose specified in the discretionary government transfer decision, the recipient must enter into an agreement on the use and monitoring of the discretionary government transfer in line with the discretionary government transfer decision and the related terms and conditions with the party that will implement the operations or project.

Payment of discretionary government transfers

The terms and conditions for the payment of a discretionary government transfer are specified in the discretionary government transfer decision. The transfer will be paid to the recipient in one or more instalments based on the timing of costs. The Ministry for Foreign Affairs may decide that the discretionary government transfer will be paid based on actual costs after the ministry has been presented with a satisfactory report on the use of the transfer.

Advance payments may be made if such payments are justified with regard to the use of the discretionary government transfer and appropriate in terms of monitoring its use.

The recipient must provide the Ministry for Foreign Affairs with accurate and sufficient payment information.

The ministry will pay the transfer based on payment requests submitted by the recipient. With regard to transfers paid over a period of several years, transfers for the years following the first year may be paid without a separate decision after Parliament has adopted the government budget for the year in question and the budget has come into effect, provided that Parliament has granted appropriations for the purpose in question. The timing of costs must be taken into account when making payment requests. The additional terms and conditions concerning the allocation of payments will be included in the discretionary government transfer decision.

The recipient and the ministry may jointly agree in writing on transferring the funds to the following year or the following funding period. Any funds remaining unused at the end of each calendar year must be taken into account when making the first payment request for the following year.

Use of discretionary government transfers

A discretionary government transfer may be used only for the purpose specified in the discretionary government transfer decision. The recipient must comply with the terms, conditions and restrictions included in the discretionary government transfer decision in the project or operations that are being supported.

If the discretionary government transfer has been granted for the acquisition or refurbishment of assets that are used for the purpose specified in the discretionary government transfer decision, such assets may not be used permanently for a purpose other than that specified in the discretionary government transfer decision, nor may the right of ownership or possession of such assets be transferred to another party during the time of use specified for the assets in the discretionary government transfer decision. The time of use specified in the discretionary government transfer decision for assets subject to the discretionary government transfer may be no more than ten years from the payment of the discretionary government transfer or its final instalment.

However, the time of use for assets subject to a discretionary government transfer is 30 years from the issuance of the discretionary government transfer if the transfer has been granted for the acquisition or refurbishment of fixed assets, a building or a flat in a building for a purpose other than supporting business operations.

The recipient is fully responsible for any difficulties, claims and other consequences arising from the use of the funds. The recipient is fully accountable to the Ministry for Foreign Affairs for the appropriate use of the discretionary government transfer, including the extent to which funds have been transferred to support a project or operations other than those of the recipient. The recipient enters into a legal relationship governed by public law with the Ministry for Foreign Affairs. This means that the Ministry for Foreign Affairs is entitled to request reports, carry out inspections and demand that an inappropriately used discretionary government transfer be paid back, even when the recipient, in line with the discretionary government transfer decision, has transferred some of the funds to be used for the operations or project of another party for a purpose specified in the discretionary government transfer decision. In other words, the transfer of funds included in a

discretionary government transfer does not in any way release the recipient from their obligations or responsibilities governed by public law. In addition, the recipient must also report on the use of the discretionary government transfer with regard any third parties.

Acceptable costs

A discretionary government transfer and the related self-financing requirement may be used only to cover reasonable expenses that are necessary for the implementation of the supported operations in line with the discretionary government transfer decision issued by the Ministry for Foreign Affairs.

Changes in usage plans

The recipient must inform the Ministry for Foreign Affairs without delay of any changes affecting the fulfilment of the purpose of the discretionary government transfer, or of any other changes affecting the use of the discretionary government transfer. If key operations or personnel expenses change, the recipient must request permission for making changes to their usage plan from the Ministry for Foreign Affairs. The request must be made in writing before starting the operations that will be affected by the change.

Purchases and ban on bribery

When using the discretionary government transfer, the recipient must comply with the competitive bidding requirements provided by the Act on Public Contracts (348/2007) with regard to purchases. In line with paragraph 1(5) of Chapter 2, section 6 of the Act, a procurement unit (or an operator that must subject their purchases to competitive bidding) is any purchaser that has received support for making the purchase from a government authority in excess of half of the value of the purchase.

When purchasing goods or services, requests for quotations and procurement agreements must include a clause that allows a bid to be rejected and/or an agreement to be terminated if the preparation or implementation of the agreement involves bribery or illegal activities similar to bribery (including the bribery of a foreign civil servant).

The recipient declares that the recipient or its employees exerting managerial or control powers, or other employees or local representatives, have not been involved in bribery or illegal activities similar to bribery (including the bribery of a foreign civil servant) and will not be involved in such activities during the time of use of the discretionary government transfer. The recipient also declares that the parties to which they have transferred part of the discretionary government transfer in line with its purpose of use, or employees exerting managerial or control powers, or other employees or local representatives of the parties, have not been involved in bribery or illegal activities similar to bribery (including the bribery of a foreign civil servant) and will not be involved in such activities during the time of use of the discretionary government transfer. Violation of this declaration may cause the discretionary government transfer to be clawed back in accordance with the Act on Discretionary Government Transfers (688/2001).

If the recipient notices that one of its employees exerting managerial or control powers, or another employee or local representative, is guilty of misusing funds received through a discretionary government transfer, the recipient must take immediate action to minimise the damage and must inform the Ministry for Foreign Affairs of the incident. The recipient must take similar action if they notice that a party to which they have transferred part of the discretionary government transfer in line with its purpose of use, or an employee exerting managerial or control powers, or other employees or local representatives of the party, is guilty of misusing funds received through a discretionary government transfer. Giving notification of such an incident does not revoke the Ministry for Foreign Affairs' right or obligation to claw back the discretionary government transfer in part or in full in accordance with the Act on Discretionary Government Transfers (688/2001).

Supporting good governance is key in all operations, and the recipient must take the guidelines provided by the Ministry for Foreign Affairs' handbook on anti-corruption work (*Anti-corruption Handbook for Development Practitioners*, ISBN: 978-952-281-026-7) into account in their operations.

Intellectual property rights

The Ministry for Foreign Affairs has free, unlimited right of use of all of the materials and results generated by operations supported by means of discretionary government transfers for an unlimited period of time. This includes the right to use, reproduce, make changes or have changes made, and transfer materials to third parties. The Ministry for Foreign Affairs has the right to put materials and results generated by operations supported by means of discretionary government transfers on public display in any way it chooses, for example, on its website.

Recipient's disclosure obligation

The recipient must provide the Ministry for Foreign Affairs with the sufficient, accurate information necessary for monitoring compliance with the terms and conditions specified in the discretionary government transfer decision. The recipient is obligated to report on their use of the transfer in line with the discretionary government transfer decision.

Statutory obligation to monitor

The Ministry for Foreign Affairs is entitled to obtain and acquire information related to the use and monitoring of discretionary government transfers and carry out inspections when necessary.

Right of inspection

The Ministry for Foreign Affairs is entitled to carry out any necessary inspections related to the recipient's finances and operations with regard to the payment and monitoring of the use of discretionary government transfers. If a discretionary government transfer has been granted for the operations or project of a party other than the recipient in line with paragraph 2 of Chapter 2, section 7 of the Act on Discretionary Government Transfers, the Ministry for Foreign Affairs is

entitled to carry out any necessary inspections related to the finances and operations of the party in question.

The Ministry for Foreign Affairs may decide to authorise another authority or an external auditor to carry out such inspections. At the request of the discretionary government transfer authorities, an external expert may provide assistance with an inspection.

Execution of inspections

The recipient must provide the civil servant and/or auditor carrying out the inspection with all of the necessary information, reports, documents, records and other material free of charge and otherwise provide assistance with the inspection.

The civil servant and auditor carrying out an inspection are entitled to take possession of the material subject to inspection if this is necessary for completing the inspection. The material will be returned without delay when it is no longer needed for inspection purposes.

The civil servant and auditor carrying out an inspection have right of access to business, storage or similar facilities controlled or used by the recipient for professional or business purposes, as well as other areas that are significant in terms of the issuance and monitoring of the use of discretionary government transfers, to the extent that is necessary for inspection purposes.

Discontinuation of payments

The Ministry for Foreign Affairs may decide to discontinue the payment of discretionary government transfers if:

- 1) there is reason to believe that the recipient is in violation of paragraph 4 of Chapter 3, section 12 or Chapter 4, section 13 or Chapter 4, section 14 of the Act on Discretionary Government Transfers;
- 2) the grounds on which the discretionary government transfer was granted have changed to a significant degree; or
- 3) the laws of the European Community require the payment to be discontinued.

Reimbursement of discretionary government transfers

The recipient must pay back the discretionary government transfer in part or in full if the transfer has been granted erroneously or the amount is too large or if it is obvious that the transfer was granted groundlessly. The recipient must also pay back the discretionary government transfer in part or in full if the transfer cannot be used in line with the discretionary government transfer

decision. If the amount to be returned is no more than EUR 10, the recipient is not required to pay it back. Annual interest must be paid on the amount to be returned in accordance with section 3, paragraph 2 of the Interest Act (633/1982), plus three percentage points. Interest will be calculated for the period between the date of the last payment and the due date of the reimbursement.

Obligation to claw back discretionary government transfers

In accordance with the Act on Discretionary Government Transfers, the Ministry for Foreign Affairs is obligated to decide to discontinue the payment of a discretionary government transfer and claw back the amount already paid if the recipient:

- 1) has failed to repay a discretionary government transfer in part or in full in accordance with Chapter 5, section 20 of the Act on Discretionary Government Transfers;
- 2) has used their discretionary government transfer for a purpose that materially differs from the purpose for which the transfer was granted;
- 3) has provided the Ministry for Foreign Affairs with inaccurate or misleading information about a fact that would have had a material effect on the issuance, amount or terms and conditions of the discretionary government transfer, or has concealed such a fact; or
- 4) is otherwise, in a way comparable to items 1–3, in material breach of the provisions pertaining to the use of discretionary government transfers or the terms and conditions included in the discretionary government transfer decision.

Discretionary clawback of discretionary government transfers

In accordance with the Act on Discretionary Government Transfers, the Ministry for Foreign Affairs may decide to discontinue the payment of a discretionary government transfer and claw back the transfer in part or in full if the recipient:

- 1) has violated paragraph 4 of Chapter 3, section 12 or Chapter 4, section 13 or Chapter 4, section 14 of the Act on Discretionary Government Transfers;
- 2) has refused to provide material in accordance with paragraph 1 of Chapter 4, section 17 of the Act on Discretionary Government Transfers or refused to cooperate in accordance with said paragraph;
- 3) has discontinued or significantly reduced the operations subject to the discretionary government transfer or transferred said operations to another party;
- 4) has violated Chapter 4, section 13 of the Act on Discretionary Government Transfers by transferring to another party the right of ownership or control of assets acquired by means of a discretionary government transfer;

5) has violated Chapter 4, section 13 of the Act on Discretionary Government Transfers by permanently changing the purpose of use of the assets subject to the discretionary government transfer;

6) has become subject to recovery proceedings, been placed in liquidation or declared bankrupt, or has become subject to restructuring proceedings in accordance with the Restructuring of Enterprises Act ([47/1993](#)), or has become subject to debt adjustment proceedings in accordance with the Act on the Adjustment of the Debts of a Private Individual ([57/1993](#)), unless otherwise provided by the purpose of use of the discretionary government transfer; or

7) has acted in a way comparable to items 1–6 by presenting a fact related to the issuance, payment or use of the discretionary government transfer in a legal form other than a form corresponding to the actual nature or purpose of the matter.

If the assets subject to the discretionary government transfer have been destroyed or damaged during the time of use specified in the discretionary government transfer decision and will not be replaced by acquiring new, comparable assets, the Ministry for Foreign Affairs may decide to discontinue the payment of the discretionary government transfer and require an amount corresponding to the share of the discretionary government transfer of the original acquisition cost of the assets to be repaid out of any insurance or other compensation.

The Ministry for Foreign Affairs may also decide to discontinue the payment of a discretionary government transfer and claw back the amount already paid if the laws of the European Community so require.

Joint and several liability

If a discretionary government transfer was granted jointly to several recipients, all of the recipients are jointly responsible for the repayment of the discretionary government transfer to the Ministry for Foreign Affairs.

More detailed instructions by the discretionary government transfer authorities

The Ministry for Foreign Affairs may provide more detailed instructions with regard to an applicant's obligation to report and a recipient's obligation to keep accounts, as well as the payment, use and monitoring of discretionary government transfers, for example.

ADDITIONAL TERMS AND CONDITIONS FOR PROJECT SUPPORT

Amount of discretionary government transfers

The amount of support granted by the Ministry for Foreign Affairs is no more than 80 per cent of the total expenses approved by the ministry for each project. In order to be able to use the discretionary government transfer, the recipient must fulfil an annual self-financing requirement of at least 20 per cent with regard to the project. This self-financing requirement must be fulfilled mainly by means of Finnish sources of funding. Other special public support granted to the party implementing the project (from Finnish or EU sources) must not be used to fulfil the self-financing requirement for development cooperation projects. If necessary, funding collected by a project partner may be included in the self-financing requirement. With regard to funding, the country of origin and the operator must be specified in the project funding statement.

The fulfilment of the self-financing requirement must be monitored, and any problems must be reported to the Ministry for Foreign Affairs without delay. If the recipient is unable to fulfil the self-financing requirement, the scope of the project must be reduced accordingly, so that the self-financing requirement corresponds to the required annual minimum share of the total cost of the project.

Payment of discretionary government transfers

The transfer will be paid to the bank account specified by the recipient. For payment of the transfer, the recipient must file an appropriately filled out payment request, including their bank account details, with the Centre for International Mobility (CIMO), which is responsible for the practical administration of the programme, including payments to recipients. Transfers for the year following the first year will be paid against an approved annual report. The annual report must be prepared in accordance with the instructions provided by the ministry and CIMO. Payments cannot be made until the government budget approved by Parliament for the year in question has come into effect. Payments will be aligned with the actual need for project funds, and the payment schedule must be specified in conjunction with annual reporting.

As a rule, the transfer must be used during the year for which it was granted. An amount corresponding to 10 per cent of the total amount granted will be deducted from the final instalment. The difference between the actual costs to be covered by the discretionary government transfer and the instalments already paid will be paid after the final report has been approved. If the difference is negative, the recipient must return the excess amount to CIMO, which will return it to the Ministry for Foreign Affairs.

Payment requests must be submitted no later than a month before the proposed due date.

Use of discretionary government transfers

If a discretionary government transfer has been granted for the acquisition or refurbishment of fixed assets, a building or a flat in a building, the time of use for the assets subject to the transfer

for their specified purpose is at least 15 years with regard to this form of support, by way of derogation from the general terms and conditions.

Acceptable costs

The total cost model is applied to the HEI ICI programme with regard to preparing applications and preparing, making and implementing funding decisions. The model is also applied to payment requests. The reporting related to a payment request is based on project accounting in accordance with business accounting principles. The project accounting concerns direct project costs. In addition, imputed general costs and indirect personnel expenses are allocated to projects. The general cost coefficient approved for the funding decision will be used throughout the funding period.

Personnel expenses

As a rule, higher education institution staff or employees hired to implement the project must be used in projects. Discretionary government transfers may be used to cover salary costs necessary for project implementation and the statutory indirect costs related to such salary costs. The recipient must provide information about the employees they have hired by means of the discretionary government transfer and about the employees' job titles, and they must keep up-to-date records of such employees, the durations of their employment relationships and the grounds for and amounts of their salaries, so that such information is available to the discretionary government transfer authorities. The recipient is responsible for ensuring that the employees and experts have the necessary work permits.

With regard to all of the recipient's and their partners' employees, working hours must be monitored systematically to ensure good governance and the efficient use of resources. It must be possible to derive the working hours allocated to the project from the monitoring system.

Operating expenses and the cost of operation and maintenance

When government subsidies are used to make purchases, the provisions of the Act on Public Contracts with regard to public procurement, as well as the related Government Decrees, must be taken into account.

Investments, such as construction, renovation and the acquisition of equipment, can be supported only if they are an essential part of project implementation. Discretionary government transfers cannot be used to acquire land. If it is justifiable to send supplies from Finland or another country outside the partner country, discretionary government transfers may be used to cover freight costs.

The recipient must ensure that its local partner keeps up-to-date records of fixed assets acquired by means of development cooperation support and the self-financing requirement, and of changes in their value. Maintenance costs include costs arising from servicing and maintenance.

Travel and accommodation expenses

The travel and accommodation expenses allocated to the project will be covered using the most inexpensive options and in accordance with the State Travel Regulations.

Communication

A communication plan must be prepared for the project for its entire duration. Audiences in Finland must be provided with information about the project. In this context, communication refers to all of the means of communication that the recipient uses to provide Finnish audiences with information about the development cooperation project. This excludes the provision of information about the recipient: discretionary government transfers for projects cannot be used to cover such communication.

The recipient must ensure that its website and any other communication channels provide up-to-date information about the development cooperation project implementation carried out by the recipient and about project funding.

Changes in usage plans

If key project operations or the number of project employees change or cause a change of at least 15 per cent with regard to cost categories, the recipient must request permission in writing from the ministry for a change to purpose of use *before* starting the operations subject to the change. Requests for a change to the usage plan must be submitted to CIMO, which will submit them to the ministry.

Recipient's disclosure obligation

Reporting

The recipient must provide the Ministry for Foreign Affairs with an annual report on project operations and the use of funds in line with the instructions provided by the ministry and CIMO. The annual report is submitted via CIMO to the electronic application and reporting system in accordance with the separate instructions pertaining to reporting.

The annual report must be submitted by the end of March of the following year for each year for which support was granted and/or during which support was used. The annual report must be submitted regardless of whether the project progressed or funds were used. In addition, in their final annual report, the recipient must discuss the results achieved during the entire project period and the effectiveness of the results, as well as the experiences gained during the project period and their applicability. The Ministry for Foreign Affairs may also request the recipient to provide other reports that it deems necessary.

The final report must be accompanied by an inspection report that includes a statement by the auditor (a template is provided with the inspection guidelines), with the auditor confirming that the

discretionary government transfer was used in line with the related terms and conditions and the provisions pertaining to discretionary government transfers.

The recipient must have professional accounting and financial statement practices, as well as statutory auditing or operational inspection practices, in place in accordance with the Auditing Act and the Accounting Ordinance.

Statutory obligation to monitor

The Ministry for Foreign Affairs or its designated representative, the National Audit Office of Finland and the Audit Committee of the Finnish Parliament have the right to inspect, in the recipient's facilities or otherwise, all of the recipient's accounting and assets and other information, reports, documents, records and other material necessary for inspection purposes, and otherwise inspect project implementation. The recipient is obligated to provide the ministry with accurate and sufficient information for the purpose of monitoring compliance with the terms and conditions and with the material necessary for inspection purposes, and to otherwise provide assistance with carrying out an inspection. If necessary, to an extent necessary for the project, the ministry has the right to audit the finances and operations of the recipient's partners involved in project implementation.

Project accounting and auditing

Project accounting must comply with the Accounting Act, the Accounting Ordinance and good accounting practices. Project accounting must be arranged in a manner that enables the total project funds (the discretionary government transfer and the self-financing requirement) to be derived from the accounting and audited based on the accounting without difficulty. Project accounting must be allocated to specific cost centres, and the chart of accounts must allow for the itemisation of the types of expense approved and budgeted for the project for accounting and annual reporting purposes. The receipts must include all of the information necessary for accounting purposes, and they must be stored in a manner that enables the ministry and CIMO to audit them in Finland. The recipient must keep an inventory of the assets acquired by means of discretionary government transfers granted by the ministry. Receipts must be stored for a minimum period of six years in Finland and in accordance with local laws in other countries but for a minimum period of six years. When the project is audited in Finland, all of the receipts are stored in Finland. If the receipts are in a language other than Finnish, Swedish or English, they must be accompanied by explanations in one of these three languages.

The auditing of project accounting and clearing for the annual report must be organised appropriately. The accounting and clearing will be audited by auditors selected by the recipient, and one of the auditors must be an Authorised Public Accountant (KHT), a Chartered Public Finance Auditor (JHTT) or an auditor authorised by a local Chamber of Commerce (HTM), or an auditing firm with the same qualifications. The Finnish higher education institution is responsible for auditing with regard to the entire project.

If local expenses are recorded as part of the project partner's accounting in their country, these expenses must be audited locally. If the local costs of the partner higher education institution are

smaller than EUR 20,000, the audit can be carried by the institution's own auditor, who will send the auditing report to the auditor in charge in Finland, or the institution's own accountant, who will send copies of the receipts and an explanation in English of which expenses are in question. The project auditor in Finland will decide whether the explanations provided by the partner higher education institutions are sufficient and request additional information, if needed.

The local auditor must meet the statutory qualification requirements in their country.

If the ministry so requests, the higher education institution must provide the local auditing report and the necessary attachments to an auditor specified by the ministry within three months of receiving the request.

Ethical guidelines

The recipient must carry out development cooperation work in a manner that enhances democratic systems and is in line with the laws and human rights policies of Finland, and with the human rights and non-discrimination policies of the current Government Report on Development Policy, as well as the sector-specific guidelines supplementing the report. The significance of compliance with guidelines is particularly important in operations that involve people representing different cultures, religions and ideologies.

Ethical guidelines are requirements set by the Ministry for Foreign Affairs for the use of discretionary government transfers. By receiving support, the recipient of development cooperation support agrees to comply with these ethical guidelines in the developing country in which they operate. If the recipient fails to comply with the Ministry for Foreign Affairs' requirements for the use of support, the ministry may set a time limit within which the recipient must ensure compliance, or discontinue the payment of support or claw back support that has already been paid.

1. Everyone participating in development cooperation work is guaranteed an atmosphere respectful of 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 discrimination. The most common forms of discrimination are related to religion, political and ideological convictions or opinions, beliefs, gender, ethnic background, caste, language, health, disability, sexual orientation, age or another personal quality.
2. Development cooperation work focuses on people discriminated against by society and communities. It addresses the causes of poverty, injustice and discrimination and seeks to change prevailing attitudes and structures related to these.
3. Aid and participation in development cooperation must not depend on ideology, religion or political conviction. This is particularly important when working with children and young people. Funds allocated to development cooperation work must not be used to spread ideologies, religions or political convictions.

4. Development cooperation work supports peaceful dialogue and promotes peace and partnerships in communities. It creates and implements measures to ensure equal participation opportunities for all.
5. Good governance promotes sustainable development. Corruption and the related inappropriate governance enhance unequal development and therefore undermine human rights. Preventing corruption and addressing suspected cases are deliberate ways in which to improve the results of development cooperation work.