

General conditions for the use of discretionary government grants awarded by the Ministry for Foreign Affairs and the ethical code of conduct

General terms and conditions for discretionary government grants

Amount of discretionary government grants

Discretionary government grants may not cover the full amount of expenses caused by an activity or project for which the grant has been awarded, unless otherwise provided for based on necessary and justified reasons to ensure that the objectives set for the discretionary government grant are achieved.

The share of self-financing varies depending on the form of the grant and will be informed in the Call for Proposals and in the discretionary government grant decision (and its appendices).

Together with other forms of public funding, the amount of a discretionary government grant may not exceed the maximum amount of discretionary government grants or other public funding on which provisions are laid down in European Union legislation or Finnish legislation.

Awarding of discretionary government grants

Government grants are awarded from the appropriations approved by Parliament. Discretionary government grants are awarded for the intended use presented in the discretionary government grant decision for either the recipient's own activities or project, or for assisting in the activities or projects of a party other than the recipient implementing the intended purpose laid down in the discretionary government grant decision.

If discretionary government grants are awarded for assisting the activities or projects of a party other than the recipient to implement the intended purpose of the discretionary government grant decision, the recipient organisation and the party implementing the activities or projects must conclude an agreement on the use of the discretionary government grant in accordance with the discretionary government grant decision, on the monitoring of its use and on the applicable conditions.

Payment and period of use of a discretionary government grant

The conditions of the disbursement and the period of use of discretionary government grants are defined in the discretionary government grant decision and in the Agreement between the grant recipient and the Ministry for Foreign Affairs of Finland (MFA).

The grant is paid to the recipient in one or more instalments based on the timing of costs. The MFA may decide to pay discretionary government grants 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 discretionary government grants if this is justified in terms of the use of the support and its monitoring.

Recipients of the discretionary government grants must provide the MFA with accurate and sufficient information necessary for the disbursement of the grant.

The MFA will pay the grant based on the disbursement requests sent by the recipient. If the grant spans multiple years, the funds are payable without a separate decision after the first year of disbursements following approval of the government budget for the year in question by Parliament and its entry into force, 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 disbursements will be included in the discretionary government grant decision and in the Agreement.

The recipient may contact the Ministry and apply for a carry-over of the funds to the following year or the following funding period. The change may not be implemented before a favourable decision has been received on the carry-over application. 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 grants

Discretionary government grants may not be used for other than the purpose presented in the discretionary government grant decision and in the Agreement. When carrying out the project for which funding has been granted, the recipient organisation must adhere to the conditions and restrictions incorporated in the discretionary government grant decision and in the Agreement.

If discretionary government grants have been awarded for the procurement or basic improvement of property that is to be used for a specific purpose defined in the discretionary government grant decision, the property may not be permanently used for purposes other than that specified in the discretionary government grant 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 grant decision.

The recipient organisation is fully responsible for any possible problems, claims and other consequences resulting from the use of the discretionary government grant. The recipient organisation is fully accountable to the MFA for the appropriate use of the discretionary government grant also insofar as the funds have been used to assist in 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 reports of the use of the grant, conduct relevant audits and recover misused discretionary government grant from the recipient organisation even in the event that the recipient organisation has, the discretionary government grant decision permitting, allocated part of the transferred funds to the activities or projects of another party implementing the intended purpose defined in the discretionary government grant decision. In other words, transferring a discretionary government grant 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 grant in respect of the part that it has been managed by another party.

Eligible expenses

Discretionary government grants and the self-financed contribution can only be used to cover reasonable costs necessary for implementing the supported operations in accordance with

what is laid down in the discretionary government grant decision of the MFA and in the Agreement between the grant recipient and the MFA.

Changes to the plan for the use of funds

The recipient organisation must immediately notify the MFA of any changes that affect the realisation of the discretionary government grant's purpose of use or any other changes that influence the use of the support. Should there be changes concerning the key activities or personnel costs, the recipient organisation must apply for permission to alter the plan for the use of funds with the MFA. Applications concerning changes to the use of funds must be submitted in writing, and the activities to be changed must not be started until an approval for the changes has been received from the MFA.

Procurement and prohibition of bribery

When using the government grant, the recipient must take into account the obligations relating to competitive tendering under the Act on Public Procurement and Concession Contracts (1397/2016). Under subsection 5 of section 5 of the Act, a contracting entity (actors that must arrange competitive tendering processes for their procurement in accordance with the Act on Public Procurement) is any party conducting a procurement when they have received more than half of the procurement's value from a state authority.

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

The recipient organisation assures that they or the persons exercising control or supervisory authority in the organisation nor its employees or local representatives, have committed corruption or unlawful activity comparable to corruption (including corruption of a foreign public official) and will not commit such activity during the period of use of the grant. Furthermore, the recipient assures that neither the actors for whose activities the recipient transfers part of the grant, in accordance with the purpose of use, nor the persons exercising control or supervisory authority in these organisations, 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 grant. A breach of the assurance may result in clawing back the paid government grant or part of it on the basis of the Act on Discretionary Government Transfers (688/2001).

Should the recipient organisation discover that a person exercising control or supervisory authority in the organisation or its employee or local representative has misused funds received in the form of a discretionary government grant, 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 organisation for whose activities the recipient has transferred part of the grant, in accordance with their purpose of use, or a person exercising control or supervisory authority in this organisation or its employee or local representative has misappropriated funding granted in the form of government grant. The provision of information to the MFA is without prejudice to the right or obligation of the Ministry to claw back the paid government grant 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 guidelines given in the Anti-Corruption

Handbook for Development Practitioners published by the Ministry for Foreign Affairs (ISBN: 978-952-281-026-7).

Accessibility of online content

When using the grant, the recipient organisation must ascertain if it falls within the scope of application of the Act on the Provision of Digital Services (306/2019, Digital Services Act). The Digital Services Act applies, for example, to institutions governed by public law as defined in section 2 of the Act. The Digital Services Act is also applied to the development and maintenance of digital services provided by companies, foundations, associations and other organisations if they receive half of the development or maintenance costs of digital services from a public authority. The Digital Services Act lays down provisions on the accessibility requirements of digital services, among other things. The Act applies not only to the recipient's actual website but also to possible thematic or campaign sites located at different addresses.

Intellectual property rights

The MFA has a free and unlimited right to use all materials or results, produced in connection with activities supported by discretionary government grants, for an indefinite period of time, including the right to use, copy, edit and commission changes to the materials and disclose them to third parties. The MFA is entitled to make results or materials, produced in connection with activities supported by discretionary government grants, publicly available, for example on the Ministry's website.

Recipient organisation's obligation to inform

The grant recipient must provide the government grant authority with correct and sufficient information for the purpose of overseeing that the terms of the grant decision are observed (section 14, subsection 1 of the Act on Discretionary Government Transfers).

Government grant recipients must notify the government grant authority without delay of any changes affecting the realisation of the intended use of the government grant or any other change affecting its use. (section 14, subsection 2 of the Act on Discretionary Government Transfers).

The recipient organisation is obligated to report on the use of the grant in accordance with the discretionary government grant decision.

Government grant authority's duty of supervision

The MFA has the right to receive and obtain information on the use and monitoring of discretionary government grants, along with other information, and conduct inspections where necessary.

Right to carry out audits

Provisions on the right of the government grant authority to audit are laid down in section 16 of the Act on Discretionary Government Transfers. 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 grant and the monitoring of its use. If a discretionary government grant has been awarded under subsection 3 of section 7 of the Act for a project or activities of a party other than the recipient organisation but in accordance with the discretionary government grant decision's purpose of use, the MFA has the right to audit the

finances and activities of the party implementing the activities 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, on request by the discretionary government grant authority, assist the audit. The right of audit of the National Audit Office of Finland and the Parliamentary Audit Committee is laid down separately.

Auditing

Provisions on the conduct of the audit are laid down in section 17 of the Act on Discretionary Government Transfers. 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 during the audit. The official and auditor conducting the audit is entitled to seize the material subject to audit if the auditing so requires. The materials will be returned without delay after they are no longer needed for the audit. To the extent required by the audit, the auditing official and auditor conducting the audit is entitled to access the business premises, storage facilities and other similar properties used for professional or business purposes as well as other areas that are relevant to the awarding of the discretionary government grant and the monitoring of its use.

Suspension of disbursements

Provisions on the suspension of disbursements are laid down in section 19 of the Act on Discretionary Government Transfers. The MFA can decide to suspend the disbursement of a discretionary government grant in the following cases:

- 1) There are reasonable grounds to suspect that the recipient of a discretionary government grant is not complying with the conditions laid down in subsection 4 of section 12 or sections 13 or 14 of the Act on Discretionary Government Transfers.
- 2) The grounds on which the grant was awarded have essentially changed; or
- 3) Suspension of disbursements is required by European Union law.

Repayment of discretionary government grants

Provisions on repayment of a discretionary government grant are laid down in section 20 of the Act on Discretionary Government Transfers. The recipient organisation must immediately return any discretionary government grant or part thereof if received erroneously, excessively or obviously without justification. The recipient organisation must also return the discretionary government grant or part thereof if it cannot be use the grant for the purpose stated in the discretionary government grant decision. If the amount to be repaid is no more than EUR 100, returning it is not necessary.

Clawback obligation of discretionary government grants

Provisions on clawing back a discretionary government grant are laid down in sections 21 and 22 of the Act on Discretionary Government Transfers. According to the Act on Discretionary Government Transfers, the MFA is obligated to order that the payment of a discretionary government grant be discontinued and that the disbursed amount be clawed back, if the recipient organisation has:

- 1) failed to return a discretionary government grant 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) given false or misleading information on a matter that has essentially influenced the decision to award the grant or its amount or conditions, or concealed such a matter; or
- 4) in a manner comparable to paragraphs 1–3 above, otherwise substantially violated the provisions concerning the use of discretionary government grants or the conditions included in the grant decision.

Discretionary clawback of discretionary government grants

Pursuant to section 22 of the Act on Discretionary Government Transfers, the MFA can order that the payment of a discretionary government grant be discontinued and that the disbursed amount be clawed back fully or partly if the recipient organisation has:

- 1) violated subsection 4 of section 12 or sections 13 or 14 of the Act on Discretionary Government Transfers;
- 2) refused to provide material referred to in section 17, subsection 1 or assistance as referred to in the subsection with regard to an audit;
- 3) terminated the activities for which the grant was awarded,
reduced them substantially or assigned them to another party;
- 4) in violation of section 13 assigned the ownership or possession of property procured with the grant to another party;
- 5) in violation of section 13 permanently altered the purpose of the property for which the grant was awarded;
- 6) been subject to recovery proceedings, or placed into liquidation, bankruptcy or made subject to debt adjustment referred to in the Act on Restructuring of a Business (47/1993) or debt rescheduling referred to in the Act on Debt Rescheduling for Private Individuals (57/1993), unless the purpose of the grant requires otherwise, or;
- 7) the recipient organisation takes action that is in practical terms comparable to what is laid down in paragraphs 1–6 above by giving a matter related to the granting, payment or use of the transfer a legal form that does not comply with its true nature or purpose.

If either a recipient of a discretionary government grant or the recipient's representative who, under the Criminal Code, has been imposed a final sentence for the employment of unauthorised foreign labour or, as an employer, for an offence concerning foreign labour, or if the recipient of a grant has been issued a cash penalty, referred to in the Employment Contracts Act, the government grant authority may continue to pay the discretionary government grant and refrain from recovering the paid amounts or part of it only for a particularly weighty reason.

If the property for which the discretionary government grant was awarded has been destroyed or damaged during the period of use specified in the discretionary government grant decision and new equivalent property is not procured to replace this property, the MFA can issue a decision to terminate the disbursements and order an amount equivalent to the discretionary government grant's share of the original acquisition cost of the property to be clawed back from the possible insurance compensation or other reimbursement.

The MFA can also issue a decision to terminate the payment of a discretionary government grant and to claw back paid instalments if required by European Union law.

An annual interest in accordance with section 3, subsection 2 of the Finnish Interest Act (633/1982), plus three percentage points, must be paid on the amount to be repaid or clawed back.

If the amount to be recovered is not paid by the date set by the authority, annual interest on arrears must be paid on the sum due in accordance with the interest rate referred to in subsection 1 of section 4 of the Interest Act. (Act on Discretionary Government Transfers, section 25)

More detailed instructions from the government grant 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 grant, the use of the support and the implementation of the monitoring.

Additional conditions for INGOs

Eligible expenses

Administrative costs

Acceptable administrative costs of a project may not exceed 10 per cent of the project's actual total annual expenses (including administrative costs). The administrative costs incurred by the project in the host country of the INGO can be accepted as the administrative costs of the project. The administrative costs need not be itemised.

Personnel costs

Government grant can be used to cover the essential payroll costs as well as statutory non-wage labour costs and other essential personnel costs. Pay must be based on a valid collective agreement indicated by the recipient organisation and/or on the average local level of pay in the sector in question. The recipient organisation must keep up-to-date records of persons hired using the project funding, of the duration of their employment, as well as of the grounds and amount of their pay to ensure the availability of the information to the government grant authority should it request access to it. The recipient organisation is responsible for ensuring that the employees and experts have legal work permits.

Travel and accommodation costs are covered based on the most affordable options, however ensuring that eligible costs never exceed the maximum expenses stated in the currently valid State Travel Regulations of Finland. Personnel costs can also include other than statutory personnel costs. These may arise from travel insurance, vaccinations or visas for Finnish or local personnel.

In order to ensure sound management and efficient use of resources, all employees working for the recipient organisation and its partners must be subject to systematic recording of working hours. It should be possible to derive the hours of work, including hours of voluntary work, spent on implementing the project from the working hours records.

The recipient organisation can also use the grant for hiring experts necessary to the project.

Operating and maintenance costs

Costs arising from investments, such as construction, renovation and equipment acquisitions, may be covered by the discretionary government grant only if they form an essential part of the project's implementation towards the achievement of the project's ultimate objectives. Discretionary government grants cannot be used to buy land.

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

Costs that are not accepted

- deprecations
- fundraising costs (excl. costs related to the acquisition of self-financing)
- business and investment costs, loan repayments and interest
- reservations referred to in the Accounting Act (1336/1997) (excl. holiday pay reservation)
- imputed amounts that are not based on actual costs
- redundancy payments or payroll costs payable during the period of notice without an obligation to work
- non-statutory supplementary pensions, bonuses and bonus costs
- legal costs or compensation imposed by a court and other penal charges, such as debt repayments, fines, penalty payments or fees for reminders
- costs and deficits from other targets of support
- guardianship expenses and entertainment costs

Bookkeeping

The recipient organisation must have in place qualified accounting and financial statement practices required by the Accounting Act and Accounting Ordinance as well as statutory auditing or performance auditing practices. The project's bookkeeping must be organised so that the total finances of the project, (discretionary government grant 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 subaccounts 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 they are available for auditing by the MFA. The recipient organisation must keep an inventory of the property that has been acquired with the discretionary government grant awarded by 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 stored for at least six years.

Ethical Code of Conduct

Despite the variety of their purposes and backgrounds, influenced by religion, political affiliation or some other ideology, civil society organisations must pursue 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 discretionary government grants.

Organisations receiving development cooperation funds from the Ministry for Foreign Affairs commit to applying and adhering to this Ethical Code of Conduct in its development cooperation activities in the recipient country. In case an organisation fails to meet these conditions for the use of the grant awarded to it, the Ministry can set a date by which the conditions must be fulfilled, suspend the disbursement, or demand a repayment of paid instalments.

1. All those participating 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. People who face discrimination from society and communities are at the heart of development cooperation. Development cooperation tackles the causes of poverty, injustice and discrimination. The aim is to change prevailing discriminatory attitudes and structures.
3. People's ideologies, religions, political positions or changing them must not set conditions for the availability of assistance or participation in development cooperation activities. This principle is particularly important in work with minors and young persons. Propagating an ideology, religion or political position using funds allocated for development cooperation is not permitted.
4. Development cooperation supports peaceful dialogue and serves to promote peace and partnership in communities. The activities create and implement processes to promote accessibility and 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.
6. Development cooperation must be based on zero tolerance when it comes to sexual abuse, violence and sexual harassment, as well as discrimination and abuse of power. Any suspicion of these should be addressed by appropriate measures.

If the recipient finds or suspects that the above-mentioned ethical code of conduct has not been complied with, the Ministry for Foreign Affairs must be notified immediately.