

## Standard Terms and Conditions – Contents

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## **1 GENERAL**

### **1.1. Name of the Standard Terms and Conditions**

Standard Terms and Conditions of discretionary government grants for Organisations receiving development cooperation funds from the Ministry for Foreign Affairs of Finland and where the European Commission funds the project through Finland in accordance with the Contribution Agreement concluded between the Ministry for Foreign Affairs of Finland and European commission.

### **1.2. Validity of the terms and conditions**

The Standard Terms and Conditions are valid from 1 May 2024.

### **1.3. Scope of the Standard Terms and Conditions, and applicable statutes**

The discretionary government grant is subject to legislation of Finland, including the Act on Discretionary Government Grants (688/2001)<sup>1</sup>. This document includes the Standard Terms and Conditions regarding the use of the discretionary government grant and the key provisions of the Act on Discretionary Government Grants. The government grant recipient (the Organisation) and the recipient of redistributed funds, if any, shall comply with these Standard Terms and Conditions and the Act on Discretionary Government Grants.

The Organisation and the recipient of redistributed funds, if any, also commit to comply with other legislation in force in Finland in all activities related to the use of the discretionary government grant. Outside Finland, discretionary government grant shall be used in a manner that takes local legislation into account and is in line with Finnish legislation.

These Standard Terms and Conditions apply to discretionary government grants awarded by the Ministry for Foreign Affairs of Finland (the Ministry) and are part of the government grant decision.

***If the government grant decision and its appendices are in conflict, the order of interpretation is the following: 1) government grant decision and the special terms and conditions provided in it, 2) Standard Terms and Conditions of discretionary government grants, 3) approved budget, 4) approved Action plan, if any, 5) government grant application and its appendices.***

In addition, the Organisation and the recipient of redistributed funds, if any, have an obligation to comply with other international commitments applicable to them as well as national legislation.

### **1.4. Compliance with terms, conditions and restrictions**

The purpose of use of the discretionary government grant is specified in the government grant decision on the use of and conditions for the government grant.

Pursuant to section 13, subsection 1 of the Finnish Act on Discretionary Government Grants (688/2001), discretionary government grants may be used only for the purpose stated in the government grant decision.

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<sup>1</sup> Act on Discretionary Government Grants (688/2001), [https://www.finlex.fi/fi/laki/kaannokset/2001/en20010688\\_20221075.pdf](https://www.finlex.fi/fi/laki/kaannokset/2001/en20010688_20221075.pdf) (unofficial translation)

When discretionary government grant has been awarded for the purpose of purchasing or modernising a property that is to be used for a specific purpose defined in the government grant decision, the property may not be permanently used for purposes other than that specified in the government grant decision nor may the ownership or right of possession of the property be transferred to another party during the property's period of use defined in the government grant decision.

Pursuant to section 13, subsection 2 of the Finnish Act on Discretionary Government Grants, in addition to what is provided in the Act or a government decree issued under section 8, the Organisation shall observe the terms, conditions and restrictions specified in the government grant decision concerning the grant-financed project or activity.

### **1.5. Openness of the government grant decision and of the information on the discretionary government grant**

Pursuant to section 1 of the Finnish Act on the Openness of Government Activities (621/1999),<sup>2</sup> official documents are in the public domain, unless specifically provided otherwise in the Act or another act.

The term "official document" refers to a document defined in the Finnish Act on the Openness of Government Activities, which can be, for example, a document delivered by the applicant to an authority for the consideration of a matter or otherwise in connection with a matter within the competence or duties of the authority, with its appendices.

Provisions on the grounds for the non-disclosure of documents are laid down in the Finnish Act on the Openness of Government Activities.

The Ministry decides, at its discretion, on the disclosure of the documents delivered to it. The applicant, the Organisation or another concerned party has the opportunity, if necessary, to indicate the sections requiring non-disclosure in their application or other official documents and justify the need for non-disclosure on the basis of the Finnish Act on the Openness of Government Activities.

The Ministry is not bound to the concerned party's proposal regarding non-disclosure; instead, the Ministry will assess the disclosure of the document on a case-by-case basis pursuant to the Finnish Act on the Openness of Government Activities and other legislation.

In addition, the Ministry submits the minimum information about discretionary government grants and the related government grant applications and decisions to the data repository of government grant activities, maintained by the State Treasury of Finland. Pursuant to section 32d of the Finnish Act on Discretionary Government Grants, the

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<sup>2</sup>Act on the Openness of Government Activities (621/1999), [https://www.finlex.fi/fi/laki/kaannokset/1999/en19990621\\_20150907.pdf](https://www.finlex.fi/fi/laki/kaannokset/1999/en19990621_20150907.pdf) (unofficial translation)

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State Treasury publishes certain information about discretionary government grants on the <https://www.exploreadministration.fi/>.

The Organisation and the recipient of redistributed funds commit to process personal data, if any, in compliance with the EU's General Data Protection Regulation (2016/679/EU) and the Finnish Data Protection Act (1050/2018)<sup>3</sup>.

### **1.6. Payment of discretionary government grants**

Pursuant to section 12, subsection 1 of the Finnish Act on Discretionary Government Grants, discretionary government grants are paid to the recipient as a lump sum or in several instalments based on the timing of costs. The government grant authority may decide to pay a government grant on the basis of actual costs after it has been provided with acceptable evidence on the use of the grant.

Pursuant to section 12, subsection 2 of the Finnish Act on Discretionary Government Grants, an advance may be paid if this is justified by the use of the government grant and expedient with regard to the monitoring of its use.

Pursuant to section 12, subsection 3 of the Finnish Act on Discretionary Government Grants, notwithstanding the provisions of subsection 1, a discretionary government grant of a small amount and one referred to in section 5, subsection 3, paragraph 3 may also be paid as a lump sum if this is justified by the use of the grant.

Pursuant to section 12, subsection 4 of the Finnish Act on Discretionary Government Grants, a government grant recipient shall provide the government grant authority with correct and sufficient information for paying the grant. The Organisation sends requests for the payment of the government grant, on the basis of which the Ministry will then pay the grant.

Other terms and conditions for the payment of the discretionary government grant are defined in the government grant decision.

#### **Exchange rate fluctuations**

If the grant is converted into another currency, the exchange shall be made through a national or commercial bank unless otherwise approved by the Ministry. Exchange rates must be stated to four decimal places.

If exchange rate fluctuations decrease the value of the grant to such an extent that this will have consequences for the use of the grant to the purposes stated in the government grant decision, the Organisation shall inform the Ministry as soon as possible. The Organisation can apply for a

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<sup>3</sup>Finnish Data Protection Act (1050/2018), [https://www.finlex.fi/fi/laki/kaannokset/2018/en20181050\\_20230239.pdf](https://www.finlex.fi/fi/laki/kaannokset/2018/en20181050_20230239.pdf) (unofficial translation)

revision of the government grant decision in accordance with clause 2.6 below. Any deficit balance shall not be covered by the Ministry.

If exchange rate fluctuations increase the value of the grant, the surplus shall be treated as disbursed grant funds and used for purposes stated in the government grant decision and Agreement. Deviations from the budget, workplan or other terms and conditions of the government grant decision or Agreement may require an application for revision in accordance with clause 2.6 below.

### **1.7. Terms and conditions concerning the procurement procedure**

The use of the discretionary government grant must comply with these Standard Terms and Conditions, in addition to the fact that the government grant authority has, in its government grant decision, approved a purchase as part of the proposal and the associated budget.

Pursuant to section 5 of the Finnish Act on Public Procurement and Concession Contracts (1397/2016)<sup>4</sup>, the contracting entity referred to in the Act (or a party that must arrange competitive tendering of their procurements pursuant to the provisions of the Act) is any party conducting a procurement when it has secured support for doing so from a Finnish state authority amounting to more than half of the value of the procurement.

The Organisation must determine whether it is a contracting entity referred to above. If the Organisation is a contracting entity referred to above, the recipient must comply with Finnish procurement legislation in procurements conducted with the government grant and take into account the competitive tendering obligations concerning procurement under the Finnish Act on Public Procurement and Concession Contracts. If the recipient is a contracting entity referred to above and the procurement is conducted in breach of procurement legislation, the procurement cannot be accepted as part of the use of the discretionary government grant and consequently the procurement price is not an eligible cost.

In all procurement, it must be ensured that the tenderer is not subject to sanctions imposed by the European Union, the United Nations (UN) or Finnish authorities or asset-freezing decisions. With regard to procurements, for example in procurements exceeding the EU's threshold values the conclusion of a procurement agreement with Russian citizens or natural or legal persons located in Russia is prohibited. Invitations to tender must include the supplier's assurance that it or its circle of beneficiaries is not subject to sanctions or other restrictions.

When purchasing goods or services, both invitations to tender and procurement agreements must include a clause stating that the tender can be rejected or the agreement can be terminated with immediate effect if

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<sup>4</sup>Act on Public Procurement and Concession Contracts (1397/2016), <https://www.finlex.fi/fi/laki/kaannokset/2016/en20161397.pdf> (unofficial translation)

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the service provider is encumbered by a mandatory or discretionary exclusion criterion referred to in Finnish or EU legislation on public procurement or a sanction imposed by the European Union or the United Nations or other above-mentioned restrictions, such as Russian citizenship or location in Russia, even if the criterion had emerged only after the beginning of the contractual relationship.

The Organisation also assures that the parties for whose activities the recipient has redistributed part of the grant, in accordance with their purpose of use, or these parties' management, persons exercising supervisory authority or employees are not subject to a mandatory or discretionary exclusion criterion referred to in Finnish or EU legislation on public procurement or a sanction imposed by the European Union or the United Nations or other above-mentioned restrictions, such as Russian citizenship or location in Russia, even if the criterion had emerged only after the beginning of the contractual relationship.

In addition, when purchasing goods or services, invitations to tender and procurement agreements must include a clause stating that the tender can be rejected or the agreement terminated if the agreement arrangements or the implementation of the agreement involve bribery or corresponding unlawful activity (including bribing a foreign public official).

#### **1.8. Other terms and conditions related to general matters**

##### **ODA eligibility of the Organisation's operations**

In addition to national legislation, the use of the discretionary government grant is also guided by the norms agreed on by the providers of development cooperation financing in international cooperation. The supported activities must be Official Development Assistance (ODA) eligible as defined by the OECD Development Assistance Committee (OECD-DAC).

The Organisation reports on the planned and actual use of the government grant to the Ministry, as defined in these Standard Terms and Conditions. The Ministry will report this information to the OECD Development Assistance Committee (OECD-DAC).

##### **Risk management and the arrangement of good governance of the Organisation**

The Organisation must see to its good governance, adequate risk management and internal control. Risk management work must be continuous.

The Organisation must have appropriate risk management mechanisms in place.

The annual reporting of the Organisation must include an updated risk matrix.

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Annual reporting must include a continuous description of how risk management has been realised. Risk management must also take into account the obligations listed in clause 4.6.

### **Compliance with sanctions systems**

The United Nations Security Council can impose restrictive measures (sanctions) to maintain or restore international peace and security. The European Union can also impose sanctions to safeguard its values, fundamental interest and security. The Organisation and the recipient of redistributed funds must independently ensure that the funds awarded by the Ministry are not handed over to or otherwise used for giving financial aid or support to persons or organisations, terrorists or terrorist organisations or other legal persons or agencies that are listed in the United Nations Security Council's consolidated list of sanctions or in the EU's sanctions regulations (as amended from time to time). EU sanctions are listed at [sanctionsmap.eu](http://sanctionsmap.eu). The Organisation must inform the Ministry immediately if the Organisation observes, within the duration of the activities for which the grant has been awarded, that these funds have been used for above-mentioned purposes.

The Organisation must therefore commit, in an appended assurance, to fully comply with the above-mentioned and other sanctions systems, such as the targeted economic sanctions and other measures that the Security Council has approved in accordance with chapter VII, article 41 of the Charter of the United Nations, as well as economic and financial restrictive measures that have been approved in accordance with article 215 of the Treaty on the Functioning of the European Union and that are in force in the European Union. This includes also restricted persons, which are **any entities, individuals or groups of individuals designated by the EU as subject to the EU Restrictive Measures**. The provision of such an assurance does not, however, relieve the Organisation of the responsibility of upholding necessary risk-management and due diligence practices in relation to both UN and EU sanctions compliance. **No funds or economic resources are to be made available directly or indirectly to, or for the benefit of, Restricted Persons.**

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- (a) The Organisation shall ensure that no transaction subject to a verified hit against the EU sanctions list shall benefit directly or indirectly from the funding. The Organisation commits to ensure this i) through screening for hits against EU sanctions before any direct contracts it concludes and ii) at subsequent levels through the Organisation's risk based due diligence.

The Organisation will implement this obligation through the following measures:

- (i) The Organisation shall screen for hits against the EU sanctions list, before entering into, and before making payments under, the relevant agreements, each recipient of redistributed funds with whom the Organisation has or is expected to have a direct contractual relationship, so as to assess whether such recipient is a Restricted Person.
- (ii) The Organisation shall ensure, through screening or through other appropriate means (that may include an ex-post verification) on a risk based approach basis, that no entity that has or is expected to have a direct contractual relationship with a recipient of redistributed funds in relation to the implementation of the grant and that would receive funding, is a Restricted Person.
- (b) In the event that the Organisation assesses that any of the recipients of the funding referred to in subparagraphs (b)(i) and (b)(ii) is a Restricted Person, and the Organisation decides that the transaction should proceed notwithstanding a verified hit against EU sanctions, the Organisation shall promptly inform the Ministry. Should the Ministry consider that the use of the funding in connection with the grant would result in a breach of the EU Restrictive Measures, the Ministry shall notify the Organisation within twenty-five (25) Days of the date of the receipt of the Organisation's notice.
- (c) If the Ministry notifies the Organisation pursuant to the immediately preceding subparagraph, the Organisation and the Ministry shall promptly consult each other and the EU Commission with a view to jointly determining remedial measures in accordance with their respective applicable legal frameworks. These measures may include, but shall not be limited to: (A) the reallocation of the relevant portion of the funding net of any costs incurred by the Organisation for undertaking any procurement or award procedure unless in case of the Organisation's gross negligence or wilful misconduct; (B) recovery by the Ministry from the Organisation of the amount of the funding provided directly or indirectly for the benefit of a recipient referred to in subparagraphs (a)(i) and b)(ii) that is a Restricted Person under the Grant. Where appropriate, a combination of remedial measures may be applied.
- (d) The determination of remedial measures will be made in accordance with the principle of proportionality. Remedial measures shall apply only for the benefit of, a recipient referred to in subparagraphs (a)(i) and (a)(ii) for the period during which it remained a Restricted Person.
- (e) For the avoidance of doubt, the Parties acknowledge that if a recipient of the funding becomes a Restricted Person after the date on which such EU funding was made available to, or for the benefit of, such recipient, subparagraphs (b) and (c) shall not apply to the EU funding made available to, or for the benefit of, the Restricted Person before its listing.
- (f) Preceding subparagraphs (a) to (e) are without prejudice to the exceptions contained in the EU Restrictive Measures.

### **Obligation to report suspected misuse, and whistleblower protection**

The Organisation and the recipient of redistributed funds and anyone working in their organisations must report, without delay, any suspected

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or discovered misuse / misconduct to the Ministry through the misuse whistleblowing channel of the Ministry for Foreign Affairs of Finland at <https://vaarinkayttoilmoitus.fi/#/?lang=en>. Suspected misuse can also be reported to the Ministry by partners and third parties.

Misconduct of the discretionary government grant includes, for example: bribery, theft, acceptance of bribes, money laundering, all other forms of financial misuse, sexual abuse, sexual harassment, other harassment, nepotism in recruitment, partiality, participation in decision-making when having a conflict of interest, gifts and hospitality that breach the terms and conditions, significant accounting errors or non-compliances in accounting, serious errors in the performance of tasks, significant delays in the performance of tasks, unjustified daily allowances and remuneration, violation of the basic principles of procurement rules, procedures breaching these terms and conditions or the terms and conditions of agreements related to the use of the discretionary government grant, unreasonable non-competition clauses and other illegal restrictions after the termination of employment, deficiencies in reporting, negligence of submitting material information, refusal of financial or other audits or complicating them, abuse of authority, exercising pressure, discrimination or other inappropriate influencing, use of child or forced labour, other violations of human rights, tax evasion, investments in tax havens, other aggressive tax planning according to the OECD's definition, other corresponding unlawful activities or other forms of misconduct.

The prohibition of misconduct applies to the Organisation's personnel, persons in leading positions, the organisation in its entirety and all partners, their personnel, persons in leading positions in the partners' organisations, the partners' organisations in their entirety and everyone who the Organisation has hired or from whom it purchases services or goods in relation to the grant-financed activities. Should the Organisation discover that a person exercising control or supervisory authority or its employee or local representative has misused funds received in the form of a discretionary government grant, the Organisation must take immediate action to minimise the resulting damage and notify the Ministry of the matter. The Organisation must act in the same manner if it notices that an organisation for whose activities it has redistributed part of the grant, in accordance with their purpose of use, or a person exercising control or supervisory authority or its employee or local representative has misused funds awarded in the form of government grant.

Pursuant to clause 2.3, the Organisation must include the prohibition of misconduct in agreements concluded with the recipient of redistributed funds and other third parties.

The Organisation has an obligation to cooperate with the Ministry in the investigation of potential cases of suspected misconduct, without undue delay.

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A report made in an internal whistleblowing channel does not eliminate the obligation to report misuse to the Ministry through the misuse whistleblowing channel of the Ministry for Foreign Affairs of Finland at <https://vaarinkayttoilmoitus.fi/#/?lang=en> in accordance with these Standard Terms and Conditions and legislation in force.

The Organisation and the recipient of redistributed funds must ensure effective whistleblower protection. The Organisation and the recipient of redistributed funds commit to ensure that misuse reports can be submitted safely and securely and that the identity of the whistleblower is protected. The Organisation and the recipient of redistributed funds must protect whistleblowers from any direct or indirect retaliatory measures they may be subjected to when reporting misuse. Retaliatory measures include, among other things, suspension, lay-off, dismissal, demotion, withholding of promotion, transfer of duties, reduction in wages, negative performance assessment, harm to the person's reputation, blacklisting and early termination of a contract for goods or services. The prohibition of retaliatory measures also covers, for example, measures targeting not only the whistleblower, but also a legal person represented by the whistleblower or the whistleblower's relatives who are connected to the whistleblower's employer because of their work. The breach of the prohibition of retaliatory measures or the prevention of reporting may result in liability for damages and an obligation to pay compensation to the whistleblower.

The Organisation and the recipient of redistributed funds must ensure that everyone working in their organisations and all recipients of redistributed funds, other partners and other stakeholders are aware of the misuse whistleblowing channel of the Ministry for Foreign Affairs of Finland at <https://vaarinkayttoilmoitus.fi/#/?lang=en>.

### **Prohibition of bribery and corresponding activity**

The Organisation assures that the recipient, the persons exercising control or supervisory authority in its organisation or its employees or local representatives have not committed bribery or corresponding unlawful activity (including bribing a foreign public official) and will not commit such acts during the period of use of the discretionary government grant. The Organisation also assures that the parties for whose activities the recipient has redistributed part of the grant, in accordance with their purpose of use, or the persons exercising control or supervisory authority in these parties' organisation or these parties' employees or local representatives have not committed bribery or corresponding unlawful activity (including bribing a foreign public official) and will not commit such acts during the period of use of the discretionary government grant. The breach of this assurance may result in the recovery of the paid Grant, in full or in part, pursuant to the Finnish Act on Discretionary Government Grants (688/2001).

## **Conflict of interest**

The Organisation is aware of potential conflict of interest issues and does not make decisions when they have a conflict of interest. The Organisation ensures that third parties referred to in section 7, subsection 3 of the Act on Discretionary Government Grants, do not make decisions when a conflict of interest applies.

The Organisation shall refrain, in accordance with its rules and regulations, directions from the Ministry and in accordance with the General Conditions, from any action which may give rise to a conflict of interests. A conflict of interest shall be deemed to arise where the impartial and objective exercise of the functions of any person implementing the grant decision is compromised.

The Organisation will confirm from all public servants, consultants, sub-contractors and any other person implementing the grant in writing, using template in Annex X and X, that they are aware of EU Financial regulations in relation to Conflict of Interest and perform their duties objectively and impartially.

The Organisation shall take appropriate measures to prevent a conflict of interest arising and address situations which may objectively be perceived as a conflict of interest. Organisation shall disclose immediately and ensure that the person in question with any conflict interest for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest that may compromise the objectivity and neutrality ceases all activity in matter. The Organisation shall inform the Ministry immediately of any conflict of interest arising in the implementation of the Project.<sup>5</sup>

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<sup>5</sup> General Conditions, June 2023, Article 5. EU Financial Regulations, Article 61.

## **2 GENERAL PRINCIPLES OF THE USE OF THE DISCRETIONARY GOVERNMENT GRANT**

### **2.1. Obligation to arrange the monitoring of the use of the discretionary government grant**

The Organisation shall keep accurate accounts of the grant-financed activity's or project's income and expenditure using an appropriate accounting and double-entry bookkeeping system. A double entry bookkeeping system is a system of bookkeeping where every entry to an account requires a corresponding and opposite entry to a different account.

The government grant decision must be submitted to the accountants of the Organisation and recipients of redistributed funds for information.

***The grant recipient must keep the finances of the supported activities separate from other activities so that the use of the grant can be easily verified. Finances refer to the costs, revenue and financing arising from the activities or the project.***

The Organisation must store the documents indicating the use of the grant for a minimum of 10 years from the last grant instalment.

The Organisation and all recipients of redistributed funds, must arrange and record working hours monitoring reliably. Working hours monitoring of all employees of the Organisation and recipients of redistributed funds must be systematically organised in order to ensure good governance and efficient use of resources.

### **2.2. Using the discretionary government grant for an approved purpose**

The purpose of use of the discretionary government grant is specified in the government grant decision and its appendices. Pursuant to section 13, subsection 1 of the Act on Discretionary Government Grants, ***discretionary government grants may be used only for the purpose stated in the government grant decision and its appendices.***

Discretionary government grants may not be used for such part of the Organisation's activities for which the grant has not been awarded.

Uses deviating from the purpose of the government grant include, for example, economic activities that cause more than minor distortion to competition and the market in a member state of the European Economic Area.

### **2.3. Terms and conditions concerning the redistribution of the discretionary government grant**

After receiving a positive government grant decision, the Organisation must conclude a cooperation agreement on the grant's use, the monitoring of its use and the terms and conditions with the recipient of redistributed funds if the government grant decision specifies that the discretionary government grant is also awarded to finance an activity or a project that fulfils the purpose defined in the decision but is carried out by a party other than the Organisation. The Organisation must include in the cooperation agreement an obligation for the recipient of redistributed funds to conclude corresponding cooperation agreements with any parties to which it further redistributes funds.

***The Organisation is in a legal relationship with the Ministry and the redistribution of the discretionary government grant to a third party does not release the Organisation from its obligations in any respect towards the Ministry.***

Consequently, the Organisation is fully liable to the Ministry for the appropriate use of the discretionary government grant also to the extent that the grant has been redistributed to support a project or activity of a party other than the Organisation.

For example, this means that the Ministry may request evidence of the use of the discretionary government grant, conduct relevant audits and recover a misused grant from the Organisation even in the event that the recipient has, the government grant decision permitting, redistributed part of the grant funds to the activities or projects of another party fulfilling the purpose specified in the government grant decision. The Organisation also remains fully liable for any problems, claims and other consequences resulting from the use of the discretionary government grant.

The Organisation must ensure that another user of the grant (the recipient of redistributed funds) or its circle of beneficiaries is not subject to sanctions imposed by the European Union or the United Nations (UN), or to asset-freezing decisions. The provision of such an assurance does not, however, relieve government grant recipients of the responsibility of upholding necessary risk-management and due diligence practices in relation to both UN and EU sanctions compliance.

The Organisation draws up the cooperation agreements in a manner that is appropriate for its activities.

Upon request, cooperation agreements must be submitted to the Ministry.

The cooperation agreement must include at least the following points:

- conflict of interest, visibility, archiving, access and financial checks apply, where applicable, apply to all recipients of

redistributed funds, as well as to ensure accurate and regular records and accounts.<sup>6</sup>

- the purpose and objectives of the cooperation, the distribution of rights and responsibilities, the authorised representatives, and the duration and termination of the agreement.
- specify that the cooperation agreement concerns funding from the Ministry and that the use of funds is subject to the government grant decision and these Standard Terms and Conditions. For this reason, the Ministry or its appointed representative also has the right, specified in section 16, subsection 1 of the Finnish Act on Discretionary Government Grants, to audit, if necessary, the finances and activities of the local recipient of redistributed funds that carries out the activity or the project. The Ministry may issue a decision authorising another authority or an external auditor to carry out the above-mentioned audits. This party is entitled to take possession of the material subject to audit if auditing so requires. The materials will be returned without delay after they are no longer needed for the audit. Those carrying out the audit are entitled to have access, to the extent warranted by the audit, to the business, storage and other such premises used in the practice of a profession or in business and other areas in the possession or use of the Organisation, the conditions of which have a bearing on the awarding of a discretionary government grant and the monitoring of its use.
- information about the misconduct whistleblowing channel of the Ministry for Foreign Affairs of Finland at <https://vaarinkayttoilmoitus.fi/#/?lang=en>.
- the prohibition of misconduct and the obligation to cooperate with the Ministry in the investigation of potential cases of suspected misconduct during the validity of the agreement, both applicable to the recipient of redistributed funds pursuant to clause 1.8.
- rights that the Organisation has secured for itself to a sufficient extent, such as recovery or the right to the suspension of payment.
- the assurance of the recipient of redistributed funds that it or its circle of beneficiaries is not subject to sanctions imposed by the European Union, the United Nations (UN) or Finnish authorities or asset-freezing decisions.
- the Organisation's right to terminate the agreement with immediate effect if it becomes clear that the recipient of redistributed funds or its circle of beneficiaries is encumbered by a sanction imposed by the European Union, the United Nations (UN) or Finnish authorities or an asset-freezing decision.

In addition, the agreement must obligate all recipients of redistributed funds, to at least:

1. use the government grant funds in accordance with the government grant decision, the Agreement, these Standard Terms and Conditions,

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<sup>6</sup> General Conditions for Contribution Agreements, June 2003, article 2.7.

- Finnish legislation and other local laws and international commitments that bind the recipient of redistributed funds.
2. let representatives of the Organisation to audit the recipient of redistributed funds' finances and activities.
  3. arrange competitive tendering of their procurement, if necessary, pursuant to the Finnish Act on Public Procurement and Concession Contracts (1397/2016) if it is a contracting entity referred to in the Finnish Act on Public Procurement and Concession Contracts, and always in compliance with the obligations referred to in clause 1.8 of the Standard Terms and Conditions.
  4. implement appropriate risk management mechanisms.
  5. report to the Ministry through the misuse whistleblowing channel of the Ministry for Foreign Affairs of Finland at <https://vaarinkayttoilmoitus.fi/#/?lang=en> and to the Organisation without delay if they suspect or discover, in their own operations, the operations of a person exercising control or supervisory authority in their organisation, the operations of their employee or local representative, the operations of the Organisation, the operations of their subcontractor, or anywhere in their organisation, any misconduct or deviation from the purpose of use, referred to in clause 1.8, such as misconduct of funds received as a discretionary government grant. The report to the Ministry must be submitted for even the slightest suspicion regarding the use of the discretionary government grant in deviation of its purpose of use or in breach of the terms and conditions as well as other misconduct referred to in clause 1.8.
  6. take immediate action to minimise damage resulting from suspected misconduct referred to in clause 1.8.
  7. commit to ensure effective whistleblower protection in accordance with clause 1.8 of these Standard Terms and Conditions.
  8. ensure a zero tolerance policy regarding the grey economy measures referred to in clause 3.6 and sexual harassment, sexual abuse, other harassment and abuse of authority referred to in clause 4.6.

If the Organisation receives a report referred to in item 5 above from the recipient of redistributed funds, the Organisation must take immediate action to minimise damage and to report the issue to the Ministry as described in clause 4.1.

Reporting the issue to the Ministry is without prejudice to the right or obligation of the Ministry to recover the paid government grant in full or in part from the Organisation under the Finnish Act on Discretionary Government Grants.

#### **2.4. Restrictions concerning the period of use of the discretionary government grant**

The discretionary government grant may be used only during the period of use specified in the decision on awarding a government grant.

During the period of use of the government grant, and on the basis of the Organisation's written application in accordance with clause 2.6, the

Ministry may issue a decision to extend the period of use on reasonable grounds. In that case the government grant decision will be altered accordingly.

## **2.5. Restrictions and obligations related to the use of property purchased with the discretionary government grant**

Pursuant to section 13, subsection 3 of the Finnish Act on Discretionary Government Grants, when a discretionary government grant has been awarded for the purpose of purchasing or modernising a property that is to be used for a specific purpose defined in the government grant decision, the property may not be permanently used for purposes other than that specified in the government grant decision nor may the ownership or right of possession of the property be transferred to another party during the property's period of used specified in the government grant decision.

Pursuant to section 13, subsection 4 of the Act on Discretionary Government Grants, however, the period of use of a property for which a discretionary government grant has been awarded is 30 years from the awarding of the grant if the grant was awarded to purchase or modernise immovable property, a building or an apartment in a building for a purpose other than promoting business activity.

## **2.6. Changing the special terms and conditions specified in the government grant decision**

Pursuant to chapter 4, section 14 of the Act on Discretionary Government Grants, a government grant recipient shall notify the Ministry without delay of any changes affecting the use of the government grant in accordance with its purpose and any other change affecting its use.

The Organisation may submit in writing an advance, justified application to request a revision from the Ministry regarding the special terms and conditions specified in the government grant decision. The revision may not be executed before the Organisation has received a positive decision on the request for a revision of the government grant. The Ministry may use case-specific consideration when deciding whether it accepts the requested revision and whether it issues a decision on the revision of the government grant. The revision of the government grant can be applied at the latest 30 days before the end date.

***A revision must be requested at least in the following cases:***

- 1. if the key objectives or functions of the grant-financed programme, project or other activity change;***
- 2. if there is a non-minor change in the budget approved in the government grant decision. For example, changes between budget lines totalling at the minimum 15 per cent of the total budget costs would constitute a non-minor change;***

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***3. if the government grant is allocated to a new expense type or project phase deviating from the application on which the grant was based, regardless of the monetary amount;***

***4. if personnel costs that are essential for the government grant change or non-essential personnel costs change significantly;***

***5. if the period of use of the grant is extended;***

***6. if the Organisation's form of association changes during the grant's period of use.***

In addition, if the Organisation needs to reassign the government grant decision and the Agreement to a third party during the grant's period of use, a prior written consent must be obtained from the Ministry. Prior to the reassignment, the Organisation must report and declare its share of the project. The auditor must submit an auditor's report on the declared costs.

## **2.7. Other terms and conditions related to the general principles of use**

### **More detailed instructions issued by the Ministry**

The Ministry may issue further instructions concerning, for example, the applicant's obligation to provide evidence, the Organisation's obligation to maintain accounting records, the payment of government grants, and the use of grants and the monitoring of their use.

### **3 TERMS AND CONDITIONS RELATED TO GRANT-FINANCED COSTS, REVENUE AND FINANCING**

#### **3.1. Eligible costs**

The discretionary government grant can only be used to cover reasonable expenses that are caused by the grant-financed activity and essential for realising the activity, as required by the Ministry in its government grant decision.

Direct costs are eligible for EU financing if they meet all the following criteria:

- a) they are necessary for carrying out the Action, directly attributable to it, arising as a direct consequence of its implementation and charged in proportion to the actual use;
- b) they are incurred in accordance with the provisions of this Agreement;
- c) they are actually incurred by the Organisation, i.e. they represent real expenditure definitely and genuinely borne by the Organisation, without prejudice to Article 16.6;
- d) they are reasonable, justified, comply with the principle of Sound Financial Management and are in line with the usual practices of the Organisation regardless of their source of funding;
- e) they are incurred during the Implementation Period with the exception of costs related to final report, final evaluation, audit and other costs linked to the closure of the Action which may be incurred after the Implementation Period;
- f) they are identifiable and backed by supporting documents, in particular determined and recorded in accordance with the accounting practices of the Organisation;
- g) they are covered by one of the sub-headings indicated in the estimated budget in Annex III and by the activities described in Annex I; and
- h) they comply with the applicable tax and social legislation taking into account the Organisation's privileges and immunities. <a

Where the implementation of the Action requires the setting up or the use of one or more project offices, the Organisation and the Partner(s) may declare as eligible direct costs the capitalised and operating costs of the structure if all the following conditions are fulfilled:

- a) They comply with the cost eligibility criteria referred to in Article 16.1 of Annex II;
- b) They fall within one of the following categories:
  - i) costs of staff, including administration and management staff, directly assigned to the operations of the project office. The tasks listed in the Description of the Action (Annex I), undertaken by staff

assigned to the project office will be directly attributable to the implementation of the Action.

- ii) travel and subsistence costs for staff and other persons directly assigned to the operations of the project office;
- iii) depreciation costs, rental costs or lease of equipment and assets composing the project office.
- iv) costs of maintenance and repair contracts specifically awarded for the operations of the project office;
- v) costs of consumables and supplies specifically purchased for the operations of the project office;
- vi) costs of IT and telecommunication services specifically purchased for the operations of the project office;
- vii) costs of energy and water specifically supplied for the operations of the project office;
- viii) costs of facility management contracts including security fees and insurance costs specifically awarded for the operations of the project office;

c) Where costs of the project office are declared as actual costs, the Organisation may declare as eligible only the portion of the capitalised and operating costs of project office that corresponds to the duration of the Action and the rate of actual use of the project office for the purposes of the Action.

d) Costs of the project office not declared as actual costs are only eligible if they have been ex ante-assessed by the European Commission.

A reserve for contingencies and/or possible fluctuations in exchange rates - not exceeding 5 % of the direct eligible costs - may be included in Annex III to allow for adjustments necessary in the event of unforeseeable changes of circumstances on the ground. In such case, the reserve can be used only with the prior written authorisation of the Contracting Authority, upon a duly justified request from the Organisation.

The following costs may not be considered eligible direct costs, but may be charged as part of the remuneration: all eligible costs that, while necessary and arising as a consequence of implementation, are supporting the implementation of the Action and not considered part of the activities that the European Union finances as described in Annex I, including corporate management costs or other costs linked to the normal functioning of the Organisation, such as horizontal and support staff, office or equipment costs (except when duly justified and described in Annex I, such as a project office).

### **3.2. Examples of non-eligible costs**

*Non-eligible costs of grant-financed activities include, for example:*

- entertainment expenses. Entertainment expenses do not include necessary and reasonable negotiation expenses, such as refreshments served at steering group meetings. Entertainment expenses are defined in the

Finnish Tax Administration's standardised instructions and their interpretation on the differentiation between entertainment expenses and negotiation expenses (the Finnish Tax Administration's guidance on entertainment expenses in income taxation, 18 August 2014, available in Finnish or Swedish).

- depreciations
- fundraising costs (excluding fundraising carried out to cover the self-financing share required by the Ministry)
- procurement in which a contracting entity, defined in the Finnish Act on Public Procurement and Concession Contracts, has not complied with procurement legislation or Organisation has not complied with procurement-related terms and conditions of the government grant decision, the Agreement or the Standard Terms and Conditions
- costs of business and investment activities, loan repayment and interest
- provisions referred to in the Finnish Accounting Act (1336/1997)<sup>7</sup> (with the exception of holiday pay provision)
- imputed items not based on actual costs
- severance pay or salary costs payable for the period of notice without an obligation to work
- non-statutory additional pensions, performance bonuses and other bonuses
- legal costs, compensation payments imposed by a court and other penal charges, such as fines, penalty payments and parking tickets
- recovery decision and the subsequent payment obligations, such as penalty interest and interest expenses, reminder fees or other statutory financial consequences
- currency exchange fees, exchange rate losses or other financing-related costs
- costs or deficits of other grant-financed projects or activities
- advocacy expenses

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<sup>7</sup> Finnish Accounting Act (1336/1997),  
[https://www.finlex.fi/fi/laki/kaannokset/1997/en19971336\\_20161376.pdf](https://www.finlex.fi/fi/laki/kaannokset/1997/en19971336_20161376.pdf)  
(unofficial translation)

- expenses for which the Organisation has not obtained approval from the Ministry, for example as part of the budget or a decision on the revision of the government grant.

The following costs are ineligible for EU financing:

- a) bonuses, provisions, reserves or non-remuneration related costs. Employers' contributions to pension or to any other employee insurance funds run by the Organisation shall only be eligible to the extent they do not exceed the cost incurred during the reporting period, calculated following applicable international accounting standards;
- b) full-purchase cost of equipment and assets unless the asset or equipment is specifically purchased for the Action and ownership is transferred in accordance with Article 8;
- c) duties, taxes and charges, including VAT, that are recoverable/deductible by the Organisation;
- d) return of capital;
- e) negative remuneration (otherwise referred to as 'negative interest') charged by banks or other financial institutions;
- f) debts and debt service charges;
- g) provision for losses, debts or potential future liabilities;
- h) banking charges for the transfers from and to the Contracting Authority<sup>3</sup>;
- i) costs incurred during the suspension of the implementation of the Agreement except the minimum costs agreed on in accordance with Article 11.8;
- j) costs declared by the Organisation under another agreement financed by the European Union budget (including through the European Development Fund);
- k) in-kind contributions. The cost of staff assigned to the Action and actually incurred by the Organisation is not an in-kind contribution and may be declared as a direct eligible cost if it complies with the conditions set out in Article 16.1; and
- l) costs of purchase of land or buildings, unless otherwise provided in the Special Conditions.<sup>8</sup>

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<sup>8</sup> General Conditions, June 2023, Article 16.5

### **3.3. Terms and conditions related to the revenue accrued in the activity or the project**

In grant-financed activities or projects, revenue refers to cash flows, with consideration given, that can be accrued directly with the reported costs of the activity or project. Revenue may be accrued from sales, rental, and compensation for use or other consideration given.

The Organisation must report revenue accrued in the activity or the project to the Ministry (see 4.3).

Without the express written approval of the Ministry, the grant-financed activities of the Organisation may not generate revenue that is covered by the European Union's State Aid rules.

### **3.4. Terms and conditions related to the financing of the activity or project**

A discretionary government grant may not cover the full amount of the total costs incurred by the grant-financed activity or project, unless there are essential and justified reasons to do so to meet the objectives set for awarding the grant. For example, an essential and justified reason would be that the Finnish Parliament decides in the budget to use a discretionary government grant to finance an activity or a project in its entirety.

The self-financing share required varies by government grant type as stated in the notice for a call for government grant applications and/or in the government grant decision and the Agreement.

Pursuant to section 6, subsection 3 of the Finnish Act on Discretionary Government Grants, discretionary government grants, together with other public financial support, may not exceed the maximum amount of discretionary government grant or other public financial support laid down in European Union or Finnish law.

Reporting must specify all other public financing awarded for the Organisation's project, programme or activities by a state, municipalities and other public entities, or bodies or foundations governed by public law. Financing awarded by the European Union must also be reported (see also 4.3).

The Organisation also has an obligation to report any private financial support it has received or will receive for the grant-financed activity.

### **3.5. Terms and conditions concerning resources made available without payment**

A resource made available without payment refers to a resource received by the Organisation, which is allocated to the grant-financed activity or project and for which the Organisation does not need to pay. A resource made available without payment may be, for example, volunteer work allocated to the Organisation's activity or project by a third party. It may also mean the Organisation's free access to equipment or premises.

If the resources made available without payment for the activity or project were taken into account in the government grant decision and the Agreement, their use must be reported when reporting on the use of the discretionary government grant (see 4.3 Obligation to report on the use of the discretionary government grant).

If the resources made available without payment were taken into account in the government grant decision and the Agreement and it seems that the resources made available without payment for the activity or project may not be used in accordance with the decision and the Agreement, the Ministry must be notified of this change (see 4.1 Organisation's obligation to provide information and notification obligation).

### **3.6. Terms and conditions related to the Organisation's financial standing, revenue and assets**

The government grant cannot be awarded or paid if

- 1) the applicant has, during the year in which the application became pending or during the three calendar years preceding that year, failed to fulfil, repeatedly or to a considerable extent, its registration, reporting or payment obligations related to taxes, statutory pension, accident or unemployment insurance contributions, or fees charged by Finnish Customs and these obligations remain unfulfilled when applying for the government grant;
- 2) the applicant has non-minor debts to be recovered by enforcement or debts that have been returned from enforcement with certificate of impediment for lack of means;
- 3) the applicant has been declared bankrupt or a matter concerning declaring the applicant bankrupt is pending before a court of law;
- 4) the applicant has failed to comply with a government grant recovery decision;
- 5) the applicant has failed to comply with a recovery decision referred to in section 1 of the Finnish Act on the Application of Certain State Aid Rules of the European Union (300/2001); or

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6) the applicant organisation's managing director or their deputy, member or deputy member of the Board of Directors, member or deputy member of the Executive Board or a comparable body, general partner, another member of the top management, or a person who has, directly or indirectly, at least 25 per cent of the shares or the voting rights given by the shares of the limited liability company that has applied for the government grant or a corresponding ownership or control in an organisation other than a limited liability company,

a) has failed to fulfil, repeatedly or to a considerable extent, its obligations described in item 1 above;

b) is incapable of managing their debts as described in item 2 above;

c) has filed for bankruptcy or been declared bankrupt as described in item 3 above; or

d) is subject to a permanent or temporary disqualification from the practice of commercial activities.

However, notwithstanding the above, a discretionary government grant may be awarded if that is justified on very serious grounds.

## **4 ORGANISATION'S SPECIAL OBLIGATIONS**

### **4.1. Organisation's obligation to provide information and notification obligation**

Provisions on the government grant recipient's obligation to provide information and notification obligation are laid down in section 14 of the Finnish Act on Discretionary Government Grants. The obligations are important, for example, for monitoring the use of the government grant.

***The government grant recipient shall provide the Ministry with correct and sufficient information for monitoring that the terms and conditions of the government grant decision are observed*** (section 14, subsection 1 of the Finnish Act on Discretionary Government Grants).

***The government grant recipient shall notify the Ministry without delay of any changes affecting the use of the government grant in accordance with its purpose and any other change affecting its use*** (section 14, subsection 2 of the Finnish Act on Discretionary Government Grants).

The Organisation must notify the Ministry of all the cases listed in clause 2.6 of these Terms and Conditions, for which a request for the revision must be submitted to the Ministry. In addition, the Organisation shall notify the Ministry of at least the following cases:

1. If there is any change in the budget approved in the government grant decision and the Agreement;
2. If misconduct or suspected misconduct referred to in clause 1.8 of these Terms and Conditions takes place in the grant-financed activity. For clarity's sake: even if misconduct is merely suspected, it must be reported immediately to the Ministry. The provision of reporting to the Ministry is without prejudice to the right or obligation of the Ministry to recover the paid government grant in full or in part from the Organisation under the Finnish Act on Discretionary Government Grants (688/2001)

Failure to report misconduct may potentially be a criminal offence according to the Finnish Criminal Code (39/1889);

3. If the contact persons of the Organisation change. The Organisation must keep the Ministry informed of changes concerning the Organisation's contact persons;
4. If there is any change in the personnel costs of the grant-financed activity;
5. If the amount of other private or public financing received by the Organisation for the project increases;
8. If the grant-financed activity is suspended;

9. If there is an essential change in the financial standing of the Organisation or the recipient of redistributed funds.

#### **4.2. Obligation to repay a discretionary government grant**

Provisions on repayment of a discretionary government grant are laid down in section 20 of the Finnish Act on Discretionary Government Grants. Pursuant to section 20, subsection 1 of the Finnish Act on Discretionary Government Grants, a government grant recipient shall without delay pay back, in full or in part, any government grant it has received through error, in excess or clearly without justification.

A government grant recipient shall also pay back, in full or in part, a grant that cannot be used as specified in the government grant decision.

If the repayable sum does not exceed EUR 100, it is not necessary to pay it back.

An annual interest in accordance with section 3, subsection 2 of the Finnish Interest Act (633/1982)<sup>9</sup> plus 3 percentage points must be paid on the amount to be paid back. Pursuant to section 25 of the Finnish Act on Discretionary Government Grants, if the sum to be paid back is not paid by the due date set by the Ministry, an annual penalty interest is payable on the sum in accordance with the interest rate referred to in section 4, subsection 1 of the Finnish Interest Act.

The Ministry may decide that a part of the sum to be paid back and any interest or penalty interest on it will not be recovered if repayment in full would be unreasonable (adjustment). The Ministry may decide on very serious grounds that the sum and the interest on it are not collected at all.

When making a decision on adjustment, the following issues are considered: i) the financial standing and circumstances of the Organisation, ii) the type of the property purchased using the discretionary government grant, iii) the procedure on which repayment is based or iv) the change in circumstances that caused the obligation for repayment.

The starting point for adjustment is the unreasonable severity and unfairness of the payment obligations under the prevailing individual circumstances. The payment obligation is relieved only partially, to the extent that it is unreasonable. As adjustment is essentially a deviation from the obligations under the Finnish Act on Discretionary Government Grants, permitted by the Ministry at its discretion, the threshold for eliminating the payment obligation in full is extremely high.

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<sup>9</sup>Finnish Interest Act (633/1982),  
[https://www.finlex.fi/fi/laki/kaannokset/1982/en19820633\\_20130032.pdf](https://www.finlex.fi/fi/laki/kaannokset/1982/en19820633_20130032.pdf)  
(unofficial translation)

The Organisation submits a request, which is free-form but must be in writing, for adjusting the repayment.

The recovery of discretionary government grants is specified in clause 5.

#### **4.3. Obligation to report on the use of the discretionary government grant**

The Organisation has an obligation to report on the use of the government grant in accordance with the government grant decision, the Agreement and these Standard Terms and Conditions.

The Organisation must report on the use also to the extent the grant has been used by the recipient of redistributed funds or another party. For example, this means that the Ministry may request evidence, conduct audits and recover a misused grant from the Organisation even in the event that the recipient has, the government grant decision and the Agreement permitting, redistributed part of the grant funds to the activities or projects of another party fulfilling the purpose specified in the government grant decision.

##### **Annual reporting**

In practice, the obligation to report means reporting on the content of the activity or the project, the progress of the project, results achieved and costs incurred.

Reporting on the use of the government grant means that the Organisation must provide a report on the use of the grant (annual reporting). Annual reporting includes financial and progress reporting.

Reports shall be set up in a way that allows direct comparison with the latest approved Application, work plan and budget, including results framework and indicators, and shall be signed by an authorised representative of the Organisation.

Every report, whether progress or final, shall provide a complete account of all relevant aspects of the implementation of the Action for the period covered. The report shall describe the implementation of the Action according to the activities envisaged in Annex I as well as the degree of progress towards the achievement of its Results (Outputs, Outcomes and if possible, Impact) as measured by corresponding Indicators. The report shall be drafted in such a way as to allow monitoring of the Results, the means envisaged and employed. The level of detail in any report shall match that of Annexes I and III.<sup>10</sup>

**The progress reports for government grants for projects shall, as a minimum, include:**

a) an account of the outputs and results achieved during the grant-financed activity or project, using the format, indicators and targets of

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<sup>10</sup> General Conditions, June 2023, Article 3.2.

the approved results framework and disaggregated by sex, disability and age where possible. The level of detail in any report shall match that of Annexes I (Action) and III (Budget). In addition to this, the Organisation shall enter the indicator results based on the annual reporting once a year in the European Commission's funding and tender opportunities- portal. The Ministry shall authorize the Organisation access to the portal.

The progress report(s) shall relate directly to this Agreement and shall at least include:

- a) summary and context of the Action;
- b) actual Results: an updated table based on a logical framework matrix (as included in Annex I) including reporting of Results achieved by the Action (Outputs, Outcomes, and if possible, Impact) as measured by their corresponding Indicators, against agreed baselines and targets, and relevant data sources;
- c) information on the activities directly related to the Action as described in Annex I and carried out during the reporting period;
- d) information on the difficulties encountered and measures taken to overcome problems and eventual changes introduced;
- e) information on measures taken to identify the EU and the Ministry as source of financing;
- f) a breakdown of the total costs, following the structure set out in Annex III, incurred from the beginning of the Action as well as the legal commitments entered into by the Organisation during the reporting period;
- g) a summary of controls carried out and available final audit reports in line with the Organisation's policy on disclosure of such controls and audit reports. Where errors and weaknesses in systems were identified, an analysis of their nature and extent, as well as information on corrective measures taken or planned, shall also be provided;
- h) where applicable, a request for payment;
- i) work plan and budget forecast for the next reporting period.

The final report shall cover the entire Implementation Period and include:

- a) all the information requested above from a) to h);
- b) a summary of the Action's receipts, payments received and of the eligible costs incurred;
- c) where applicable, an overview of any funds unduly paid or incorrectly used which the Organisation could or could not recover itself;
- d) the exact link to the project website
- e) if relevant, details of transfers of equipment, vehicles and remaining major supplies
- f) where applicable, a request for payment.

The Organisation shall submit a report for every reporting period from the commencement of the Implementation Period. Reporting, narrative as well as financial, shall cover the whole Action. Progress reports shall be submitted within seventy (70) Days after the period covered by such report and the final report shall be submitted, at the latest, four (4) months after the end of the Implementation Period.<sup>11</sup>

Depending on the nature of the Services, the Organisation will, at the request of the Ministry, prepare and submit to the Ministry also other reports, such as reports on supervision, monitoring and evaluation of the Services, and any other documentation or material to be used by the Ministry for public information or dissemination purposes.

Every progress and final report shall be accompanied by an audit or control opinion in accordance with internationally accepted audit standards, establishing whether the accounts give a true and fair view, whether the control systems in place function properly, and whether the underlying transactions are managed in accordance with the provisions of the grant decision. The opinion shall also state whether the audit work puts in doubt the assertions made in the management declaration mentioned above.<sup>12</sup>

The reports shall be submitted in the Currency of the Government Grant Decision. The Organisation shall convert legal commitments, the Action's receipts and costs incurred in currencies other than the accounting currency of the Organisation according to its usual accounting practices.<sup>13</sup>

If the Organisation is unable to present a progress or final report, together with the accompanying documents, by the deadline set out above, the Organisation shall inform the Ministry in writing of the reasons. The Organisation shall also provide a summary of the state of progress of the Action and, where applicable, a provisional work plan for the next period. If the Organisation fails to comply with this obligation for two (2) months, following the above mentioned deadlines the Ministry may suspend the payment of the grant and issue a decision to recover the paid grant.<sup>14</sup>

### **Financial reporting**

The financial reporting of the Organisation must give a true and fair view of the Organisation's financial status: the expenditure of funds, the sources of received contributions, as well as assets and liabilities of the Organisation. The financial reporting must be based on generally accepted accounting principles.

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<sup>11</sup> General Conditions, June 2023, articles 3.7-3.9. Special Conditions 4.4.

<sup>12</sup> General Conditions, June 2023, article 3.11

<sup>13</sup> General Conditions, June 2023, articles 3.13-3.14

<sup>14</sup> General Conditions, June 2023, article 3.15

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In case the grant awarded by the Ministry has been earmarked for a project, the project shall be handled in a separate account to ensure traceability of the government grant.

Any financial report submitted shall comprise of financial statements with a comparison to the latest approved budget for the reporting period, as well as an identification of any deviations from the budget. The financial report shall be certified by an external, independent, and qualified auditor as well as an authorised representative of the Organisation.

The financial statements shall be set up in a way that allows for direct comparison with the latest approved budget, using the same currency and budget line items.

**All financial reports shall, as a minimum, include:**

- a) a balance sheet, income statement, notes to the financial statements, and cash flow statement, as applicable, for the latest financial year
- b) an auditor's report and management letter for the latest financial year. The annual audit shall be conducted in accordance with International Standards on Auditing.
- c) management response, including an action plan regarding any findings in the audit management letter
- d) a budget of the Organisation for the next financial year
- e) personnel costs (detailed lists of salaries and fringe benefits received by the staff during the latest financial year)
- f) information regarding other contributions to the Organisation: source, amount and duration of contract
- g) any other information necessary to give true and fair view of the Organisation's financial status (e.g. if the government grant or part of it has been transferred to another organisation the report should specify the amounts transferred and the dates of the transfer)

**Financial reports for government grants for projects shall include as above and in addition the following:**

- a) information regarding other contributions/income to the project: source, amount and duration of contract. The government grant awarded by the Ministry shall be specified;
- b) expenses charged/capitalised in the relevant reporting period;
- c) expenses charged/capitalised from start-up of the grant-financed activity or project to the end of the reporting period;

- d) unused funds as per the reporting date. The Ministry's share shall be specified;
- e) balance sheet, when required in accordance with the accounting principles applied;
- f) activity costs;
- g) material, procurements and investments;
- h) operation and maintenance;
- i) monitoring and evaluation;
- j) overhead costs to be covered by the government grant in accordance with the government grant decision and Agreement;
- k) project auditor's report;
- l) the auditor's audit management letter;
- m) a management response, including an action plan regarding any findings in the audit management letter.

Deviations from the approved budget shall be highlighted with information about both nominal amounts and percentage of each deviation. Clause 2.6 states when a revision of the Government grant decision and Agreement must be applied for.

### **Final report**

When reporting on the last year of the awarded financing, the Organisation describes in its annual report not only the past year but also the results of the entire financing period. This annual report will serve as the final report on the entire period. The final report shall describe the results achieved by the grant-financed activity or project during the period of use of the government grant. The report shall be set up in a way that allows for a direct comparison with the Application and shall be signed by an authorised representative of the Organisation.

**The final report for both government grants for projects and core grants** shall, as a minimum, include:

- a) the items listed for the progress reports, covering the entire period of use of the government grant;
- b) an assessment of the grant-financed activity's or project's effect on society (impact);
- c) a description of the main lessons learned from the grant-financed activity or project;

d) an assessment of how efficiently resources from the grant-financed activity or project have been turned into outputs;

e) an assessment of the sustainability of the achieved results by the grant-financed activity or project.

#### **Other matters to report**

Other matters to report regarding the general activity or project content and costs incurred include, for example:

- redistribution (see 2.3)
- revenue (see 3.3)
- self-financing (see 3.4)
- financing (other public and private financial support) (see 3.4)
- resources made available without payment (see 3.5)

The Ministry may also request other evidence it deems necessary from the Organisation.

#### **Audit**

The Organisation shall submit an audit report annually and at the end of the period of use of the government grant as part of the final report. The audit shall be carried out by an independent chartered/certified or state authorised public accountant (auditor) in accordance with the legislation of the Organisation's home country. The auditors selected by the Organisation are to audit both the accounts and the financial reports.

The Organisation is responsible for procuring audit, unless otherwise agreed in the decision and/or Agreement. The audit includes auditor's report and audit management letter. The Organisation then writes a management response in order to describe how the issues are solved and sends the aforementioned documents to the Ministry. Ministry may request additional information if needed.

The audit shall be conducted in accordance with International Standards on Auditing 800 related to audits of financial statements prepared in accordance with special purpose frameworks or in accordance with relevant local legislation. The cost of the audit shall be included in the budget and be paid for by the Organisation. If the audit is performed using other audit standards, which have been assessed to be equivalent, the Ministry shall approve the terms of reference in advance.

The auditor's report shall express an opinion whether the submitted project financial report is in accordance with the Organisation's accounting records, the conditions of the Ministry's agreement, and the details of the audit terms of reference. The opinion shall also state whether the audit work puts in doubt the assertion made in the management declaration by the Ministry to the European Commission as defined in annex (3.1.1)

The auditor shall submit an audit management letter, which shall contain the audit findings made during the audit process. It shall also state which measures have been taken as a result of possible previous audits and whether measures taken have been adequate to deal with reported issues.

A documented management response, including an action plan regarding any findings of the audit, shall be produced by the Organisation and submitted to the Ministry together with the audited financial report and the audit management letter.

The Organisation should provide all these audit documents to the Ministry by the due reporting date in accordance with paragraph 4.1 of the Agreement.

The Organisation shall, on request, give the Ministry an opportunity to audit how the government grant has been used by the Organisation and thereby supply information necessary for the audit.

#### **Reporting delays and failure to report**

Reporting delays or failure to report may lead to the suspension and recovery of payments and the denial of any additional grants.

Unless the Ministry or the European Commission requests or agrees otherwise, the Organisation shall take all appropriate measures to publicize the fact that the Action has received funding from the EU and the Ministry and within the framework of Finnish development co-operation. Such measures shall be carried out in accordance with the Visibility Requirements for EU External Actions, as in effect at the time of entry into force of this Agreement or with any other guidelines agreed between the European Commission, Ministry and the Organisation.<sup>15</sup>

The Organisation shall follow the European Commission's visibility requirements.<sup>16</sup> In addition the Organisation shall implement, if applicable, communication activities as described in the Action.

All reports and any other documentation in respect of the Assignment to be submitted to the Ministry and the Recipient Government will be prepared in English, unless otherwise instructed by the Ministry.

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<sup>15</sup> General Conditions, June 2023, Article 7

<sup>16</sup> [https://international-partnerships.ec.europa.eu/knowledge-hub/communicating-and-raising-eu-visibility-guidance-external-actions\\_en](https://international-partnerships.ec.europa.eu/knowledge-hub/communicating-and-raising-eu-visibility-guidance-external-actions_en)

#### **4.4. Impact assessment of the grant-financed activity or project**

The Organisation is required to include a monitoring, evaluation and learning plan in its plans and reporting, according to instructions issued by the Ministry, if applicable.

The Organisation must participate in producing and providing information on the impact of the grant. The Organisation must ensure that its monitoring systems produce data on all results that relate to the sustainable development goals and objectives of Finland's development policy, according to more detailed instructions. This data must be available to the Ministry in accordance with more detailed instructions issued by the Ministry.

#### **4.5. Utilisation of results**

The Organisation must ensure that the intellectual property rights of the results achieved in the grant-financed activity or project belong to the Organisation or the recipient of redistributed funds.

The results of the grant-financed activity must be public, generally accessible and available for use for non-profit purposes. This may refer to, for example, the general usability of photos and learning materials. The Organisation must publish the results of the activity in the format defined by the Ministry.

The Organisation must communicate and share information about the grant-financed activity in a way that is relevant for audiences in Finland, internationally and the countries of operation. The provision of information about the activity refers to all different communication methods that the Organisation uses to inform audiences of the development cooperation activities. The Organisation must ensure that up-to-date information on the development cooperation activities implemented is provided on its own website and other possible communication channels. Communications about the Organisation itself cannot be covered with the government grant.

#### **4.6. Other terms and conditions related to the Organisation's special obligations**

#### **Compliance with legislation and standards**

In its projects and/or activities, the Organisation must comply with Finnish legislation, internationally approved environmental and social responsibility standards, local legislation and international commitments applicable to the project including but not limited to multilateral environmental agreements.

## **Respect for human rights**

The Organisation and the recipient of redistributed funds have an obligation to respect human rights and take into account international human rights recommendations, such as the United Nations Guiding Principles on Business and Human Rights, and the [HRBA Guidelines](#) of the Ministry for Foreign Affairs of Finland. The Organisation and the recipient of redistributed funds ensure that they do not contribute, directly or indirectly, to adverse human rights impacts. Adverse human rights impacts eliminates or impairs individuals' and communities' opportunity to exercise their human rights. The Organisation and the recipient of redistributed funds require respect for human rights also from their other partners, if any.

The Organisation and the recipient of redistributed funds must have methods for detecting and addressing adverse human rights impacts in all their activities, including procurements made by them and other activities with partners, if any.

Such methods may include, for example, human rights assessment according to the HRBA guidelines of the Ministry for Foreign Affairs of Finland. In addition, the Organisation and recipients of redistributed funds must ensure that there are whistleblower protection channels, as required in clause 1.8, and sufficient anti-corruption measures.

## **Prohibition of agitation against a population group and defamation**

It is prohibited in the grant-financed activity or project to make available to the public, otherwise disseminate among the public or keep available to the public information, an opinion or another message where a certain group is threatened, defamed or insulted on the bases of its race, colour, birth, national or ethnic origin, religion or belief, sexual orientation or disability or on another comparable basis. It is also prohibited to present false information on or a false insinuation of another person so that the act is conducive to causing damage or suffering to that person or subjecting that person to contempt or to disparage another person on another comparable basis. The acts described above are criminalized according to the criminal code of Finland and as unlawful acts they constitute an impediment to awarding the government grant pursuant to section 7, subsection 1 of the Finnish Act on Discretionary Government Grants.

## **Zero tolerance towards sexual abuse, sexual harassment, discrimination and abuse of authority**

The Organisation and the recipient of redistributed funds must apply a zero tolerance policy regarding sexual abuse, sexual harassment, other harassment, discrimination and abuse of authority. This means that in their activities, the Organisation and the recipient of redistributed funds do not approve of any forms of sexual abuse, sexual harassment,

other harassment, discrimination or abuse of authority by their employees or partners and that the Organisation and the recipient of redistributed funds may not ignore any such cases they become aware of, cover them up or handle them inappropriately.

This zero tolerance policy also applies to all partners of the Organisation and the recipient of redistributed funds, such as service providers in procurement. If the Organisation and the recipient of redistributed funds notice or suspect that this zero tolerance policy has not been adhered to, this must immediately be reported to the Ministry as specified in clause 1.8. The Organisation must also respond to suspected misconduct with appropriate measures.

Suspected misconduct can be reported to the Ministry also by partners and third parties through the online whistleblowing channel created for this purpose: the online whistleblowing system for suspected misuse and misconduct in development cooperation (<https://vaarinkayttoilmoitus.fi/#/?lang=en>).

Provisions on sexual abuse, sexual harassment and other harassment are also laid down in chapter 20 of the Finnish Criminal Code (39/1889), section 7 of the Finnish Act on Equality between Women and Men (609/1989) and section 14 of the Finnish Non-discrimination Act (1325/2014).

Sexual abuse can refer to at least the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions. Examples of sexual abuse: attempted rape, forcing someone to perform oral sex or touching, and rape.

Sexual harassment can refer to at least unwelcome verbal, non-verbal or physical behaviour of a sexual nature that deliberately or de facto infringes a person's psychological or physical integrity especially by creating an intimidating, hostile, degrading, humiliating or distressing environment. Examples of sexual harassment: gestures and other non-verbal communication with sexual undertones, comments of sexual nature about the individual, the individual's body, conduct, sex life or gender identity, pornographic material, sexually suggestive letters, emails, text messages or phone calls.

Harassment can refer to at least behaviour that deliberately or de facto infringes a person's human dignity if the infringing behaviour is related to the person's age, origin, nationality, language, religion, belief, opinion, political activity, trade union activity, family relationships, state of health, disability, sexual orientation or other personal characteristics and the behaviour creates, due to the above-mentioned reason, an environment that is degrading, humiliating, intimidating, hostile or offensive towards the person in question.

Abuse of authority can refer to at least the improper use of a position of influence, power or authority against another person. This is particularly serious when a person uses their influence, power or authority to improperly influence the career or employment conditions of

another, including, but not limited to, appointment to a position, assignment of duties, contract renewal, performance evaluation, or promotion. Abuse of authority may also include conduct that creates a hostile or offensive work environment which includes, but is not limited to, the use of intimidation, threats, blackmail or coercion. Discrimination and harassment, including sexual harassment, are particularly serious when accompanied by abuse of authority.

Furthermore, the Organisation and the recipient of redistributed funds must apply a victim-oriented and survivor-oriented approach.

### **Prohibition of discrimination**

Discrimination based on race, skin colour, gender, marital status, pregnancy, religion, social or ethnic origin, nationality, physical characteristics, age, political opinions, trade union membership and sexual orientation and all other forms of discrimination are prohibited.

Discrimination refers to any unequal treatment of individuals, such as segregation, disfavour or favouritism that is not based on work requirements or quality but instead indicates attitude-based unequal treatment.

The Organisation and the recipient of redistributed funds must support the acceptance of diversity and equal opportunities among employees. If necessary, discriminated groups must also be supported with positive discrimination.

Any harassment of employees is prohibited. Employee harassment refers to the inhuman treatment of employees, including sexual abuse and harassment described above, physical punishment, psychological or physical coercion and harassment, and the threat of such treatment.

### **Non-discrimination and equality**

In their activities, the Organisation and the recipient of redistributed funds must promote gender equality and non-discrimination. The Organisation must fulfil the employer obligations laid down in the Act on Equality between Women and Men (609/1986)<sup>17</sup> and the Non-discrimination Act (1325/2014)<sup>18</sup>.

The Organisation and the recipient of redistributed funds must comply with the guideline for the cross-cutting objectives of development policy, in accordance with international human rights standards concerning gender equality and non-discrimination and the more detailed

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<sup>17</sup> [https://www.finlex.fi/fi/laki/kaannokset/1986/en19860609\\_20160915.pdf](https://www.finlex.fi/fi/laki/kaannokset/1986/en19860609_20160915.pdf)  
(unofficial translation)

<sup>18</sup> <https://www.finlex.fi/fi/laki/kaannokset/2014/en20141325.pdf> (unofficial translation)

Standard terms and conditions of discretionary government grants for organisations receiving development cooperation funds from the Ministry for Foreign Affairs of Finland and where the European Commission funds the project through Finland in accordance with the contribution agreement concluded between the Ministry for Foreign Affairs of Finland and the European Commission.

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[non-discrimination and equality guidelines](#) issued by the Ministry for Foreign Affairs of Finland.

### **Accessibility of digital services**

When using the grant, the Organisation must ascertain if it falls within the scope of application of the Finnish Act on the Provision of Digital Services (306/2019).

Pursuant to section 1 of the Act on the Provision of Digital Services, the purpose of the Act is to promote the availability, quality and data security of digital services and the accessibility of their content and in so doing improve everyone's opportunities to use digital services equally.

The Finnish Act on the Provision of Digital Services is applied, inter alia, to the institutions governed by public law defined in section 2 of the Act. Furthermore, pursuant to section 3, subsection 1, paragraph 3 of the Act on the Provision of Digital Services, the Act applies to the digital services of a company, a foundation, an association and another organisation when the authority referred to in the Act participates in financing the development and use of these services and covers at least half of their development or annual maintenance costs. In the Act, an authority refers, for example, to state authorities and other parties to the extent that they are taking care of public administration duties. The Act on the Provision of Digital Services lays down provisions on the accessibility requirements of digital services, among other things. The Act not only applies to the Organisation's actual website, but also to any themed or campaign sites that may be located at different addresses.

The Organisation has an obligation to comply with the provisions of the Act on the Provision of Digital Services when providing a digital service financed with this government grant.

### **Environmental and social responsibility in activities**

The activities of the Organisation are required to be environmentally and socially responsible. This applies especially to the consideration of the risks and impacts of the grant-financed project and the prevention and minimisation of potential negative impacts on the environment, society and human rights.

The Organisation and the recipient of redistributed funds commit to comply with at least the following special obligations of the Organisation when using the grant.

### **Environmental and climate protection**

In their activities, the Organisation and the recipient of redistributed funds aim to mitigate climate change, promote adaptation to climate change and protect the environment and biodiversity. The Organisation

must comply with the guideline for the cross-cutting objectives of development policy.

The Organisation and the recipient of redistributed funds ensure that they do not contribute, directly or indirectly, to adverse climate and environmental impacts. The Organisation and the recipient of redistributed funds require this also from their other partners, if any. The Organisation and the recipient of redistributed funds must have methods for assessing climate and environmental impacts and for minimising adverse impacts in all their activities, including impacts potentially emerging in their supply chain.

If the Organisation or the recipient of redistributed funds produces goods or services, it ensures that the goods and services sold by it are produced in an environmentally sustainable manner. In this case, the Organisation or the recipient of redistributed funds monitors the environmental and climate impacts of its activities and its supply chain and strives to continuously improve the environmental friendliness of its activities and reduce the use of materials and the generation of waste. The Organisation or the recipient of redistributed funds seeks to conduct an environmental impact assessment that covers the entire lifecycle of the goods and services it produces and to set requirements related to environmental friendliness and carbon footprint reduction also for its supply chain.

### **Obligations related to employment and working conditions**

The Organisation must commit to comply with international standards concerning employees' rights and occupational safety (ILO) and take international human rights recommendations (United Nations Guiding Principles on Business and Human Rights) into account.

The Organisation carrying out the project is also required to comply with principles related to good governance, tax liability, transparency and anti-corruption.

### **Prohibition of child labour**

Work performed by children (child labour) is prohibited, apart from the exceptions justified in the ILO Convention number 138. It is prohibited to have children do work that has an adverse impact on their studies or is harmful to their health or development.

Here, "child" refers to a person who

- is under 15 years of age or under the minimum age defined in national legislation if that is higher than 15 years and;
- is under the age at which the national compulsory education ends.

Children under 18 years of age may work only in tasks that are not, due to their nature or conditions, harmful to the children's health, safety and morals. It is prohibited to have children under 18 years of age do night work or work overtime.

If child labour is detected, the Organisation or the recipient of redistributed funds intervenes with the situation and ensures that the child's best interest is realised, in cooperation with the employer, the child, the child's family and, if necessary, other parties.

### **Prohibition of forced labour**

Forced labour is prohibited. Forced labour is any work or service that is exacted from a person under the threat of penalty and for which that person has not offered themselves voluntarily.

In addition to forced labour, also slave labour, work required to pay debts and penal labour are prohibited. All employment relationships must be voluntary and employees must always have the right to terminate their employment with a reasonable period of notice.

There must always be a written employment contract in a language understood by the employee.

Employers and employment intermediaries must not keep in their possession or otherwise hide, confiscate or destroy documents that prove the employee's identity and right of residence, such as personal ID documents, passports or work permits, nor prevent employees' access to these documents. If the obligations laid down in national legislation require the temporary seizure of documents, the documents must be returned to the employee without delay as soon as possible.

Employees must not be required to pay recruitment fees or make any recruitment-related payments. If such fees or payments are observed, employees must be paid back any fees or payments they have paid or made. The employer must ensure that employees have not been forced to pay recruitment fees or make recruitment-related payments to labour intermediation agents or other parties.

### **Freedom of association**

The employer respects employees' right to and freedom of association and collective bargaining. These refer to various formal and informal forms of cooperation, aimed at jointly supporting and defending the employee's interests at the workplace and in the work community. The employer must inform employees of this right. In states where freedom of association is not fully acknowledged, the employer adopts and supports practices aimed at facilitating the meetings and negotiations between employees or their freely elected representatives and the workplace management regarding questions related to pay and working conditions, without fear of adverse consequences.

## **Pay and working hours**

Wages and salaries must be paid directly to employees at the agreed time and in their entirety. Deductions must not be made from wages, salaries and other benefits as a disciplinary measure, and the only deductions that can be made are those specified in national legislation.

In connection with pay, the employee must be provided with a written pay slip or a corresponding itemisation, which they can use to verify the correctness of pay.

Wages and salaries paid to employees may under no circumstances be lower than the minimum wage applicable to the sector in the country where they work or the minimum wage according to the applicable collective agreement, whichever is higher.

Working overtime must be voluntary. Employees are entitled to overtime pay according to legislation, the established practice in the sector or the applicable collective agreement, whichever of these is highest. Overtime pay must be itemised clearly in the pay slip.

Employees must have at the minimum one day of rest per each seven-day period. The number of working hours may not exceed 60 hours per week or the maximum number of working hours laid down in the legislation applicable in the work location, including overtime. The maximum number of hours may only be exceeded due to an accident, a threat of an accident, force majeure or urgent repair or maintenance; however, only to the extent that is absolutely necessary to avoid significant disruption to the regular work carried out for the employer.

Compensation for absences, such as vacation, sick leave and parental leave, must comply with national legislation.

## **Safe and healthy working environment**

The working environment must be safe and healthy for employees. This means that at the workplace, employees are not exposed to conditions that may be hazardous to their physical or psychological health or that the employer ensures that employees are appropriately protected against such exposure agents. It is the employer's responsibility to also protect employees against occupational health risks caused by hazards that are not dependent on physical factors. These include, for example, risks associated with burnout or work-induced stress.

The employer prevents, monitors and reports on occupational accidents, near misses, adverse health impacts and diseases. Employees are encouraged to report on such accidents and diseases, near misses, adverse health impacts and potential hazards.

Exposure agents and hazards are itemised and monitored and their impacts are prevented. The employer analyses potential emergencies and prepares

the necessary plans and instructions for them, the aim of which must be the minimisation of adverse impacts on employees and production. The employer takes corrective action without delay after being informed of potential exposure agents and hazards. Machinery and tools used at work must have appropriate safety equipment and protection. Premises must be equipped with smoke alarms or an equivalent fire alarm system.

Employees must be provided with training and information about work-related practices as well as risks and their prevention, including fire safety, hazardous tasks and first aid.

The employer arranges appropriate occupational healthcare services for employees.

## **5 MONITORING OF THE USE OF THE GOVERNMENT GRANT, SUSPENSION OF PAYMENT AND RECOVERY**

### **5.1. Monitoring and supervision practices**

The production of monitoring and supervision information is based on the information produced by the Organisation, referred to in clause 4.3, and other practices as instructed by the Ministry; however, in addition, the Ministry has the right to receive and obtain grant use and monitoring information and other information as well as to carry out audits, as necessary.

If the terms, conditions and instructions issued for the reporting and use of the government grant by the Ministry are not complied with, the Ministry may set a deadline for compliance, suspend the payment of the grant and issue a decision to recover the paid grant.

The Organisation has an obligation to assist the Ministry in carrying out the monitoring and supervision of the recipient of redistributed funds, such as destination country monitoring or other verification measures.

The Organisation shall invite representatives of the European Commission and the Ministry to participate at their own costs to the main monitoring missions and evaluation exercises related to the performance of the Action. Participation in evaluation exercises should be ensured by requesting comments from the European Commission and the Ministry on the terms of reference before the exercise takes place, and on the different deliverables related to an evaluation exercise prior to their final approval (as a minimum, on the final report). The Organisation shall send all monitoring and evaluation reports relating to the Action to the Ministry once issued, subject to confidentiality.

Above is without prejudice to any monitoring mission or evaluation exercise, which the European Commission as a donor, or the Ministry, at their own costs, may wish to perform. Monitoring and evaluation missions by representatives of the European Commission or the Ministry shall be

planned ahead and completed in a collaborative manner between the staff of the Organisation and the European Commission's or Ministry's representatives, keeping in mind the commitment of the Parties to the effective and efficient operation of the Action. The European Commission or the Ministry and the Organisation shall agree on procedural matters in advance. The European Commission or the Ministry shall make available to the Organisation the terms of reference of the evaluation exercise before it takes place, as well as the different deliverables (as a minimum, the draft final report) for comments prior to final issuance. The European Commission or the Ministry shall send the final monitoring and evaluation report to the Organisation once issued.

In line with the spirit of partnership, the Organisation and the European Commission and the Ministry may also carry out joint monitoring and/or evaluation. Such arrangements will be discussed and agreed in due time, planned ahead and completed in a collaborative manner.

Representatives of the relevant partner country and partner Organisation may, whenever possible, be invited to participate at their own costs in the main monitoring missions and evaluation exercises, unless such participation would be detrimental to the objectives of the Action or threaten the safety or harm the interests of Partners, Grant Beneficiaries or Final Beneficiaries.<sup>19</sup>

The Ministry may participate in the steering group, if any, of the grant-financed activity to support monitoring and supervision but the Ministry cannot have a role with decision-making or steering power in the steering group.

## **5.2. Right to audit**

Provisions on the right of the government grant authority to audit are laid down in section 16 of the Finnish Act on Discretionary Government Grants. The Ministry has the right to audit the government grant recipient's finances and activities as required by the payment of the government grant and the monitoring of its use.

If a discretionary government grant has been awarded under section 7, subsection 3 of the Finnish Act on Discretionary Government Grants for a project or activity of a party other than the government grant recipient but in accordance with the purpose specified in the government grant decision, the Ministry has the right to audit the finances and activities, as specified in the government grant decision, of the recipient of redistributed funds. The Organisation must include sufficient clauses in agreements concluded with the recipients of redistributed funds to ensure that the right to audit is realised; obligations are described in more detail in clause 2.3. The Organisation

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<sup>19</sup> General Conditions, June 2023, Article 9

Standard terms and conditions of discretionary government grants for organisations receiving development cooperation funds from the Ministry for Foreign Affairs of Finland and where the European Commission funds the project through Finland in accordance with the contribution agreement concluded between the Ministry for Foreign Affairs of Finland and the European Commission.

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has an obligation to assist the Ministry also to carry out other audit measures concerning the recipient of redistributed funds.

The Ministry may issue a decision authorising another authority or an external auditor to carry out the above-mentioned audits. External experts may assist in audits at the request of a government grant authority. Provisions on the right of the National Audit Office of Finland's and the Parliament's Audit Committee to audit are issued separately.

Provisions on carrying out an audit are laid down in section 17 of the Finnish Act on Discretionary Government Grants (see also 5.3).

The Ministry or the European Commission or European Anti-Fraud Office (OLAF) has a right to perform or have a third independent party to perform any inspection, audit, review or spot-check at their own expense to establish whether the Service complies with the requirements and whether the Organisation has acted in accordance with this Agreement. The inspection will be carried out without unreasonably interfering with the Organisation's usual business or other daily activities.

If the inspection reveals that the Organisation has violated the terms of this Contract, the Organisation will be responsible for the costs resulting from the inspection for the Ministry, such as the inspector's fee. In other cases, the Ministry is responsible for the costs incurred by the inspection.

The Organisation agrees that the execution of this Agreement may be subject to scrutiny by the Court of Auditors when the Court of Auditors audits the European Commission's implementation of EU expenditure. In such case the Organisation shall provide to the Court of Auditors access to the information that is required for the Court to perform its duties.

To that end, the Organisation undertakes to provide officials of the European Commission, Ministry, OLAF and the European Court of Auditors and their authorised agents, upon request, information and access to any documents and computerised data concerning the technical and financial management of operations financed under the Contribution Agreement concluded between the Ministry for Foreign Affairs of Finland and European Commission and this Grant, as well as grant them access to sites and premises at which such operations are carried out.

For a period of ten (10) years from the End Date and in any case until any on-going audit, verification, appeal, litigation or pursuit of claim or investigation by the European Anti-Fraud Office (OLAF), if notified to the Organisation, has been disposed of, the Organisation shall keep and make available all relevant financial information (originals or copies) related to the Agreement and to any Procurement Contracts and Grant agreements related to the contract.

The Organisation shall take all necessary measures to facilitate these checks. The documents and computerised data may include information that the Organisation considers confidential in accordance with its own established Regulations and Rules or as governed by contractual agreement. Such information once provided to the European Commission, OLAF, the European Court of Auditors, or any other authorised representatives, shall be treated in accordance with Article 12 as well as EU confidentiality rules and legislation. Documents must be accessible and filed in a manner permitting checks, the Organisation being bound to inform the Ministry, European Commission, OLAF or the European Court of Auditors of the exact

location at which they are kept. Where appropriate, the Parties may agree to send copies of such documents for a desk review.

Failure to comply with the obligations set forth in Article 5.2 constitutes a case of breach of a substantial obligation under this Agreement.<sup>20</sup>

### **5.3. Organisation's obligation to assist in the audit**

Pursuant to section 17, subsection 1 of the Finnish Act on Discretionary Government Grants, the government grant recipient and the recipient of redistributed funds shall provide the auditing authority or another person carrying out the audit with all information and reports, documents, records and other material necessary for performing the audit and otherwise provide assistance with the audit free of charge. The auditing authority or another person carrying out the audit is entitled to take possession of the material subject to audit if auditing so requires. The materials will be returned without delay after they are no longer needed for the audit.

The auditing authority or another person carrying out the audit is entitled to have access, to the extent warranted by the audit, to the business, storage and other such premises used in the practice of a profession or in business and other areas in the possession or use of the government grant recipient or the recipient of redistributed funds, the conditions of which have a bearing on the awarding of a discretionary government grant and the monitoring of its use.

The Organisation has an obligation to assist the Ministry also in carrying out an audit targeted at the recipient of redistributed funds.

The representatives of the Ministry or the authority or external auditor authorised by the Ministry shall also have access to the Organisation's auditor and the auditor's assessments of all information pertaining to the Organisation and the supported project or activity. The Organisation shall release the auditor from any confidentiality obligations in order to facilitate such access.

### **5.4. Suspension of payment of the discretionary government grant**

If the Organisation fails to fulfil its obligations under this Grant and its Annexes and/or if there are suspicions of misconduct, the Ministry may suspend payment of all or part of the government grant. Provisions on the suspension of payment are laid down in section 19 of the Finnish Act on Discretionary Government Grants. The Ministry may decide to suspend the payment of the government grant for the duration of inspecting the matter if: 1) there are reasonable grounds to suspect that the government grant recipient is not complying with the provisions laid down in section 12, subsection 4 or sections 13 or 14 of the Finnish Act on Discretionary Government Grants; 2) the grounds on which the government grant was awarded have essentially changed; or 3) suspension of payment is required

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<sup>20</sup> General Conditions, June 2023, Article 15

by European Community law. The suspension of payment is targeted at the part of payment that is being inspected.

The payment of the government grant may be temporarily suspended when, for example, there are reasonable grounds to suspect that the information provided for payment is not correct and sufficient or that there has been a change influencing the use of the government grant, such as a change in the financial standing of the Organisation, with no notification made of this change. The decision to suspend the payment may also be made when the grounds on which the government grant was awarded have essentially changed. This may mean that there have been essential changes in the bases on which the government grant was awarded or on which it is used and it is necessary to determine how the changes influence the opportunities to use the government grant in the manner referred to in legislation, the budget and the government grant decision.

The suspension of payment is a temporary preventive measure, with which the payment of the awarded government grant may be suspended for the duration of the closer inspection of the matter. After the inspection, the government grant authority issues a decision to continue the payment or to discontinue the payment and recover the government grant. Pursuant to section 34 of the Finnish Act on Discretionary Government Grants, the government grant recipient has the right to request a review for the payment suspension decision by submitting a request for administrative review, but the authority is allowed to suspend the payment for the duration of the processing of the request.

#### Suspension of the time limit for payment

The Ministry may suspend the payment of following a single payment request/invoice by notifying the Organisation that either:

- a) the amount is not due; or
- b) the appropriate supporting documents have not been provided and therefore the Ministry needs to request clarifications, modifications or additional information to the narrative or financial reports. Such clarifications or additional information may notably be requested by the Ministry if it has doubts about compliance by the Organisation with its obligations in the implementation of the Action; or
- c) credible information has come to the notice of the Ministry that puts in doubt the eligibility of the reported expenditure; or
- d) credible information has come to the notice of the Ministry that indicates a significant deficiency in the functioning of the Internal Control System of the Organisation or that the expenditure reported by the Organisation is linked to a serious irregularity and has not been corrected. In this case, the Ministry may suspend the payment deadline if it is necessary to prevent significant damage to the EU's or Ministry's financial interests.

In the situations listed in above, the Ministry shall notify the Organisation as soon as possible, and in any case within thirty (30) Days

from the date on which the payment request/invoice was received, of the reasons for the suspension, specifying - where applicable - the additional information required. Suspension shall take effect on the date when the Ministry sends the notification stating the reasons for the suspension. The remaining payment period shall start to run again from the date on which the requested information or revised documents are received or the necessary further checks are carried out. If the requested information or documents are not provided within the deadline fixed in the notification or are incomplete, payment may be made on the basis of the partial information available.

### Suspension of the Agreement by the Ministry

The Ministry may suspend the implementation of the Agreement, fully or partly, if:

- a) the Ministry has proof that irregularities, fraud or breach of substantial obligations have been committed by the Organisation in the implementation of the Action;
- b) the Ministry has proof that irregularities, fraud or breach of obligations have occurred which call into question the reliability or effectiveness of the Organisation 's Internal Control System or the legality and regularity of the underlying transactions;
- c) the Ministry has proof that the Organisation has committed irregularities, fraud or breaches of obligations under other agreements funded by EU funds provided that those irregularities, fraud or breaches of obligations have a material impact on this Agreement.

Before suspension, the Ministry shall formally notify the Organisation of its intention to suspend, inviting the Organisation to make observations within ten (10) Days from the receipt of the notification. If the Organisation does not submit observations, or if - after examination of the observations submitted by the Organisation - the Ministry decides to pursue the suspension, the Ministry may suspend all or part of the implementation of this Agreement serving seven (7) Days' prior notice. In case of suspension of part of the implementation of the Agreement, upon request of the Organisation, the Parties shall enter into discussions in order to find the arrangements necessary to continue the part of the implementation that is not suspended. Any expenditures or costs incurred by the Organisation during the suspension and related to the part of the Agreement suspended shall not be reimbursed, nor be covered by the Ministry. Following suspension of the implementation of the Agreement, the Ministry may terminate the Agreement in accordance with Article 16.2, recover amounts unduly paid and/or, in agreement with the Organisation, resume implementation of the Agreement. In the latter case, the Parties will amend the Agreement where necessary.

### Suspension for exceptional circumstances

The Organisation or the Ministry may decide to suspend the implementation of all or part of the Action if exceptional and unforeseen circumstances beyond the control of the Organisation make such implementation impossible or excessively difficult, such as in cases of Force Majeure.. The Parties shall inform each other immediately and provide all the

necessary details, including the measures taken to minimize any possible damage, and the foreseeable effect and date of resumption.

The Ministry may also notify the Organisation of the suspension of the implementation of the Agreement if exceptional circumstances so require, in particular:

- a) when a relevant EU Decision identifying a violation of human rights has been adopted; or
- b) in cases such as crisis entailing a change of EU policy or Ministry's policy.

Neither of the Parties shall be held liable for breach of its obligations under the Agreement if Force Majeure or exceptional circumstances as set forth under Articles 15.5 and 15.6 prevent it from fulfilling said obligations, and provided it takes any measures to minimize any possible damage.

In the situations listed in Articles 15.5 and 15.6, the Parties shall minimize the duration of the suspension and shall resume implementation once the conditions allow. During the suspension period, the Organisation shall be entitled to the reimbursement of the minimum costs, including new legal commitments, necessary for a possible resumption of the implementation of the Agreement or of the Action. The Parties shall agree on such costs, including the reimbursement of legal commitments entered into for implementing the Action before the notification of the suspension was received which the Organisation cannot reasonably suspend, reallocate or terminate on legal grounds. This is without prejudice to any amendments to the Agreement that may be necessary to adapt the Action to the new implementing conditions, including, if possible, the extension of the Implementation Period or to the termination of the Agreement in accordance with Article 16.3

#### **5.5. Recovery of the discretionary government grant, and interest**

Provisions on the recovery of the government grant are laid down in sections 21 and 22 of the Finnish Act on Discretionary Government Grants. Provisions on the recovery of investment grants, if any, are laid down in section 23 of the Finnish Act on Discretionary Government Grants.

The repayment of a government grant on the Organisation's initiative is described in clause 4.2.

#### **Obligation to recover discretionary government grants**

Pursuant to section 21 of the Finnish Act on Discretionary Government Grants, the Ministry has an obligation to issue a decision to discontinue the payment of a discretionary government grant and to recover in part or in full a grant already paid if the government grant recipient has:

- 1) failed to pay back a government grant which under section 20 of the Finnish Act on Discretionary Government Grants must be paid back in full or in part;
- 2) used the government grant for a purpose essentially different from that for which it was awarded;
- 3) provided the Ministry with false or misleading information on a matter that was conducive to influencing the awarding, amount or terms of the government grant, or concealed such matter; or
- 4) in a manner comparable to paragraphs 1-3, otherwise essentially violated the provisions concerning the use of government grants or the conditions of the government grant decision.

### **Discretionary recovery of discretionary government grants**

Pursuant to section 22 of the Finnish Act on Discretionary Government Grants, the Ministry may issue a decision to discontinue the payment of a discretionary government grant and to recover in part or in full a grant already paid, if:

- 1) the government grant recipient has violated section 12, subsection 4, or sections 13 or 14 of the Finnish Act on Discretionary Government Grants;
- 2) the government grant recipient has refused to provide the data referred to in section 17, subsection 1 of the Finnish Act on Discretionary Government Grants, or to provide the assistance referred to in the said subsection with an audit;
- 3) the government grant recipient has discontinued the grant-financed activities, reduced them substantially or assigned them to another party;
- 4) the government grant recipient has in violation of section 13 of the Finnish Act on Discretionary Government Grants assigned to another party the ownership or possession of the property purchased with the government grant;
- 5) the government grant recipient has in violation of section 13 of the Finnish Act on Discretionary Government Grants permanently altered the purpose of the grant-financed property;
- 6) the government grant recipient has been subject to debt enforcement proceedings, or placed into liquidation or bankruptcy, or made subject to restructuring proceedings referred to in the Finnish Restructuring of Enterprises Act (47/1993) or debt adjustment referred to in the Finnish Act on Adjustment of the Debts of a Private Individual (57/1993), unless the purpose of the government grant requires otherwise; or
- 7) the government grant recipient in practical terms takes action that is comparable to what is mentioned under 1-6 above by giving a subject

related to the awarding, payment or use of the government grant a legal form that is not compatible with its true nature or purpose.

If the government grant recipient or its representative referred to in the Finnish Criminal Code (39/1889) has been sentenced by final judgment for the use of unauthorised foreign labour or for the employer's violation of the Finnish Aliens Act (301/2004) or a financial sanction referred to in the Finnish Employment Contracts Act (55/2001) has been imposed on the government grant recipient with a final decision, the government grant authority may continue the payment of the grant and leave the grant already paid unrecovered in full or in part only on very serious grounds.

If the property for which the discretionary government grant was awarded has been destroyed or damaged during the period of use specified in the government grant decision and new, corresponding property will not be purchased to replace the destroyed or damaged property, the Ministry may issue a decision to discontinue the payment of the grant and order that a sum that corresponds to the share of the grant in relation to the original acquisition cost of the property be recovered from any insurance indemnity or other compensation.

The Ministry may also issue a decision to discontinue the payment of a discretionary government grant and to recover a grant already paid if required by European Union law.

### **Adjustment of recovery**

The Ministry may decide that a part of the sum to be recovered and any interest or penalty interest on it will not be recovered if recovery in full would be unreasonable. The Ministry may also decide on very serious grounds that the sum and the interest, if any, are not collected at all.

When making a decision on adjustment, it is considered whether recovery in full would be unreasonable, taking into consideration the financial standing and circumstances of the government grant recipient or the type of the property purchased using the discretionary government grant or the procedure on which repayment or recovery is based or because of a change in circumstances.

The starting point for adjustment is the unreasonable severity and unfairness of the payment obligations under the prevailing individual circumstances. The payment obligation is relieved only partially, to the extent that it is unreasonable. As adjustment is essentially a deviation from the obligations under the Finnish Act on Discretionary Government Grants, permitted by the Ministry at its discretion, the threshold for eliminating the payment obligation in full is extremely high.

The Organisation submits a request, which is free-form but must be in writing, for adjusting the recovery.

### **Interest to be paid on the amount to be recovered**

Pursuant to section 24 of the Finnish Act on Discretionary Government Grants, a government grant recipient shall pay an annual interest in accordance with section 3, subsection 2 of the Finnish Interest Act (633/1982) plus 3 percentage points on the amount to be paid back or recovered from the date the discretionary government grant was paid.

Pursuant to section 25 of the Finnish Act on Discretionary Government Grants, if the recovered sum is not paid by the due date set by the government grant authority, an annual penalty interest is payable on the sum in accordance with the interest rate referred to in section 4, subsection 1 of the Finnish Interest Act.

### **Liability**

The Ministry or the European Commission shall not, under any circumstances or for any reason whatsoever, be held liable for damage or injury sustained by the staff or property of the Organisation while the Action is being carried out, or as a consequence of the Action. The Ministry or the European Commission shall not therefore accept any claim for compensation or increase in payment in connection with such damage or injury.

The Ministry or the European Commission shall not, under any circumstances or for any reason whatsoever, be held liable towards third parties, including liability for damage or injury of any kind sustained by them in respect of or arising out of the implementation of the Action.

The Organisation shall discharge the Ministry and the European Commission of all liability associated with any claim or action brought as a result of an infringement of the Organisation's Regulations and Rules committed by the Organisation or Organisation's employees or individuals for whom those employees are responsible, or as a result of a violation of a third party's rights in the context of the implementation of the Action.<sup>21</sup>

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<sup>21</sup> General Conditions, June 2023, Article 4.