

## General terms and conditions of BPS

### GENERAL PRINCIPLES

1. The aim of the Business Partnership Support allocated through the Finnpartnership Programme is to increase economic and commercial cooperation between companies and other actors in Finland and developing countries. Business Partnership Support can be applied for by actors intending to start cooperation in a developing country aiming at long-term and economically viable partnerships. Business Partnership Support is meant to serve as seed money for primarily commercially financed business activities, which will also bring about positive development impacts. Moreover, Business Partnership Support may be used to support joint projects between non-governmental organisations/educational institutions and companies directly linked with Finnpartnership Business Partnership Support projects and business-related vocational education and training when they are considered to have significant development impacts.
2. The Ministry for Foreign Affairs of Finland grants Business Partnership Support in the form of discretionary government transfer for independent development cooperation activities defined in the discretionary government transfer decision and carried out by applicants. The applicant can be a company or other actor or a consortium of several companies or actors. The consortium must have one lead applicant. The company may have one or several partners; either a registered and active legal entity or a legal entity to be registered at a later stage in Finland or the target country. The support is granted to each member of the consortium individually. However, every applicant is responsible for the utilisation of the allocated Business Partnership Support according to the terms and conditions of the support.

The applicant must prove that it has experience and sufficient competence in business activities. Moreover, the applicant has to have sufficient financial and human resources for carrying out the project for which Business Partnership Support is applied. The applicant should thus take an active part in the implementation of the project and share the risks; external consultants conducting only e.g. feasibility studies are hence not eligible applicants for Business Partnership Support. The applicant must be a registered legal entity when submitting the application.

In the appendices to the discretionary government transfer decision specifying the terms and conditions of the Business Partnership Support, the applicant/recipient can also be called “a company”, as appropriate. The company takes full responsibility for any difficulties, claims and other consequences that may arise in the course of the implementation of the project. The company is fully responsible to the Ministry for Foreign Affairs for a proper use of the support. Business Partnership Support is a discretionary government transfer in the use of which the terms and conditions provided for in the discretionary government transfer decision and its appendices and the Finnish Act on Discretionary Government Transfers (Valtionavustuslaki 688/2001) should be observed. The company may not transfer its Business Partnership Support to a partner in cooperation. Appendix 2 provides more detailed information on eligible expenses.

3. By virtue of the agreement between the Ministry for Foreign Affairs and Finnfund, the Ministry for Foreign Affairs has authorised Finnfund to administer the Finnpartnership Programme together with the Ministry for Foreign Affairs. *All inquiries concerning Business Partnership Support should be submitted to Finnfund/Finnpartnership*, which is an authorised representative of the Ministry for Foreign Affairs in relation to the company in all practical matters and questions concerning applications and the implementation of the programme. Contacts of the Finnpartnership Programme: Finnpartnership, c/o Finnfund, tel. +358 (0)9 348 434, [www.finnpartnership.fi](http://www.finnpartnership.fi) and [fp@finnpartnership.fi](mailto:fp@finnpartnership.fi).

4. A Business Partnership refers to long-term cooperation, such as a joint venture, merger or a long-term trade relationship, between companies and other actors in Finland and a developing country. Other possible forms of cooperation are, for example, sub-contracting agreements (including with a wholesaler, dealer, commodities exchange, etc.), franchising agreements, technology-related licenses, and joint partnerships with the EU, UN organisations and international financial institutions.

Activities financed by means of support from the Ministry for Foreign Affairs must be in agreement with the principles regulating Finland's development cooperation. The Finnish Government Report on Development Policy can be downloaded at

<http://formin.finland.fi/Public/default.aspx?nodeid=49312&contentlan=1&culture=fi-FI>

The purpose of the activities to which support has been granted must be socially acceptable<sup>1</sup>. While carrying out the project, the company must comply with the laws of the country of operation. The company must comply with all the relevant laws and regulations pertaining to occupational health and safety as well as social and environmental matters in the country of operation.<sup>2</sup> The company must comply with the principles of good governance and measures against corruption, among other things, in all procurement and other activities related to the project. The company confirms that, in the course of the project or while using the Business Partnership Support, the company and its employee(s) have not accepted bribes or made themselves guilty of any activities that could be considered to adversely affect procurement and functions related to the project or violate good governance, nor will they do so in the future. The company also assures that it will notify the Ministry for Foreign Affairs if there is any reason to suspect such matters.

## SUPPORTED PROJECTS

5. Projects can be carried out in all developing countries eligible for Official Development Assistance (ODA) mentioned on the OECD/DAC (*Development Assistance Committee*) list. Decisions are based on the list of countries that is valid on the date when the support application is *registered by the Ministry for Foreign Affairs*.

The list of developing countries eligible for ODA also applies to support payments. If a country is about to be removed from the list, applicants should prepare for this in their reimbursement request and project planning. After a particular country has been removed from the list, the Ministry for Foreign Affairs can no longer make payments for projects carried out in that country.

The minimum requirement is that the supported activity complies with the laws of the country of operation and it may not have any major negative social or environmental impacts<sup>3</sup>. When assessing the applications and later during the project cycle, the Ministry for Foreign Affairs requires that the environmental and social requirements are adequately taken into account.

Support can be granted to cover the expenses arising from the preparation of projects and development of business activities mentioned as follows:

- a joint venture in a developing country between a Finnish company and a counterpart in the developing country,
- a subsidiary established by a Finnish company in the developing country,

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<sup>1</sup> Exclusions list of activities that cannot receive support: [https://finnpartnership.fi/wp-content/uploads/2017/10/Kieltolista\\_Final\\_1.1.2014-1.pdf](https://finnpartnership.fi/wp-content/uploads/2017/10/Kieltolista_Final_1.1.2014-1.pdf)

<sup>2</sup> For more information, please visit the International Finance Corporation (part of the World Bank Group) website: [http://www.ifc.org/wps/wcm/connect/c8f524004a73daeca09afdf998895a12/IFC\\_Performance\\_Standards.pdf?MOD=AJPERES](http://www.ifc.org/wps/wcm/connect/c8f524004a73daeca09afdf998895a12/IFC_Performance_Standards.pdf?MOD=AJPERES)  
[https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC)

<sup>3</sup> This refers to production and/or trade or other activities that are contrary to the laws and regulations of Finland or the country of operation or to international agreements.

- an import project with commercial market potential and development impacts which boosts imports from developing countries to Finland and possibly to other countries,
- other long-term business partnership in a developing country designed to sustain business activities related to, for example, long-term subcontracting or maintenance, franchising or licensing agreements,
- pilot or proof-of-concept projects related to commercial/merchandised technology or solutions as a part of the activities of international organisations (EU, UN associations, international financing institutions). Self-financing required by international organisations counts as eligible expenses; the self-financing required by the organisation is the total project cost for the company. Eligible pilot or proof-of-concept projects to be implemented as a part of the activities of international organisations are those projects that, if successful, can be assumed to lead to long-term commercial cooperation that creates developmental value.
- joint projects between non-governmental organisations/educational institutions and companies directly linked with Finnpartnership Business Partnership projects of companies where the non-governmental organisation/educational institution is not seeking a profit-making partnership. Non-governmental organisations/educational institutions may carry out essential activities for a company that support the Finnpartnership Business Partnership projects, such as:
  - ✓ cooperation between companies and non-governmental organisations/educational institutions developing the capacity (related to corporate responsibility and human rights questions and vocational, technical and business training) of Business Partnership project interest groups, developing cooperation networks, piloting products and services etc.;
  - ✓ developing cooperation and innovation platforms related to Business Partner projects; and
  - ✓ organising seminars and workshops related to business partnership projects as a part of general awareness raising and influencing efforts,
- vocational education and training, and support for local education. The support is granted for the development of vocational education and training related to the business partnership (e.g. renewing curriculum, teacher training, equipment and machinery, repairing of facilities) and launching new training. The projects are assessed based on the potential for the sustainability of the training structure they support and the expected development impacts.

NOTE! Concerning vocational, technical and business training (including categories: 1) joint projects between non-governmental organisations/educational institutions and companies and 2) vocational education and training, and support for local education), there is a requirement that the beneficiaries of the educational project include no more than 50% of the employees of the Finnish company and its developing country partner.

**AMOUNT OF SUPPORT**

6. The support granted by the Ministry for Foreign Affairs covers 30–85 per cent of the total approved expenses of a project, depending on the size of the applicant company and on the income level of the target country. The company’s self-financing, which cannot be in the form of another grant, is thus 70–15 per cent.

Percentage of support	High alert fragile states**	Low income developing countries***	Upper middle income developing countries (direct development impacts required) ****
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BUSINESS PARTNERSHIP PROJECTS: SMEs* Other small and medium-sized entities	85%	70 %	50 %
BUSINESS PARTNERSHIP PROJECTS: Other entities	85 %	50 %	30 %
BUSINESS PARTNERSHIP PROJECT'S ESSENTIAL SUPPORT ACTIVITIES Non-governmental organisations/educational institutions	85 %	85 %	85 %

\*The EU defines SMEs as follows:

- - fewer than 250 employees
- - annual turnover does not exceed EUR 50 million or an annual balance sheet total does not exceed EUR 43 million
- - the definition is also influenced by the company's relationship with other companies in respect of holdings of capital or voting rights or the right to exercise a dominant influence, see [http://publications.europa.eu/resource/cellar/79c0ce87-f4dc-11e6-8a35-01aa75ed71a1.0007.01/DOC\\_1](http://publications.europa.eu/resource/cellar/79c0ce87-f4dc-11e6-8a35-01aa75ed71a1.0007.01/DOC_1)

\*\*Covers the countries on the list "Harmonized List of Fragile Situations". The current list of *high alert fragile states* should be reviewed on Finnpartnership's website under *Target countries and percentage of support*.

\*\*\*Covers the OECD/DAC categories *least developed countries (LDC)*, *other low income countries (LIC)* and *lower middle income countries and territories (LMIC)*.

\*\*\*\*Covers the OECD/DAC category *upper middle income countries and territories (UMIC)*.

Support for pilot and proof-of-concept projects implemented as a part of the operations of international organisations is calculated in accordance with normal support percentages for specified countries (30% / 50% / 70% / 85%) or 50% if the country is yet to be defined or the project is carried out in several countries.

7. In principle, Business Partnership Support, granted by the Ministry for Foreign Affairs, is de minimis aid, which is based on the provisions of Commission Regulation (EC) No. 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid. If the applicant considers that the Support is not de minimis aid, reasons for this must be given in the application. Each project is considered individually, to determine whether it falls under the de minimis regulation. Projects whose effects do not focus on the European Economic Area do not fall under the de minimis regulation.

a. In the framework of the Regulation, a company may be granted support not exceeding the ceiling of EUR 200,000 over any three fiscal-year period. The total of de minimis financing granted by all different public authorities during the period under review should be taken into consideration. Prior to granting de minimis aid, the Ministry for Foreign Affairs has to obtain full information - in writing or via email - of other de minimis aid received during the two preceding fiscal years and during the current fiscal year.

As an exception to the main rule, limited amounts of de minimis aid can be granted to the following sectors: fisheries and aquaculture (de minimis limit of EUR 30,000); primary production of agricultural products (de minimis limit of EUR 15,000). The ceiling for undertakings performing road freight transport for hire or reward is EUR 100,000. As an exception to the main rule, de minimis aid cannot be granted to the coal industry nor can it be granted as an export aid or as aid favouring domestic over imported products.

All the information regarding the application of this Regulation shall be recorded and put together. Records concerning granted de minimis aid shall be stored for 10 years from the date of granting. These records shall contain all information necessary to prove that the requirements of the Regulation have been complied with. On the Commission's request, all the information regarding de minimis aid shall be provided within 20 working days from the date of the request.

- b. A maximum of EUR 400,000 of Business Partnership Support per project can be allocated for projects which do not fall under the de minimis regulation.
8. If the eligible costs to be covered by Business Partnership Support equal 30% or less of the costs for the project on the project application, the application for support will be rejected.

## **USE OF SUPPORT**

### **Uses**

9. Business Partnership Support may be used only for the purpose and to cover the expenses that it was applied for according to the application and the attached project budget, on the basis of which discretionary government transfer has been granted.

### **Change of original use**

10. If changes are made in the project plan and/or project budget, the company must apply for permission for the change in writing and always prior to the start of the activity in question through the e-Service of the Ministry for Foreign Affairs.

### **Term of use**

11. Granted support shall be used and the reimbursement request has to be submitted within 24 months after the date of notification of the discretionary government transfer decision. Unless otherwise proven, the recipient is considered to have been notified of the decision on the seventh day after the date of the decision. In case the company has not requested reimbursement of the granted funds by the due date, the Ministry for Foreign Affairs can cancel the decision to allocate funds and reallocate the unused appropriations.

### **Eligible expenses**

12. Business Partnership Support shall be used only to cover reasonable expenses that are considered essential from the point of view of the implementation of the project in accordance with the attached project budget and on the basis of the criteria set by the Ministry for Foreign Affairs at the time of granting the support. In its activities and the management of its finances, the company should act as economically as possible. Eligible expenses for Business Partnership Support are specified in Appendix 2.

## **PAYMENT OF SUPPORT**

13. Business Partnership Support is paid afterwards on the basis of the actual approved and paid expenses in one or two instalments on the bank account informed by the recipient. Before the support can be paid, the company must sign and return the Letter of Commitment (Appendix 6) as instructed. A reimbursement request shall be submitted within 24 months after the date of notification of the

discretionary government transfer decision. To obtain the disbursement, the recipient company has to send a reimbursement request to the Ministry for Foreign Affairs/KEO-50 filled in properly according to the instructions issued by the Ministry for Foreign Affairs. The reimbursement request has to correspond to the actual, paid and eligible expenses based on the project budget (Appendix 2).

If the amount requested for reimbursement in the first request exceeds two thirds of the granted support or alternatively the company requests for the second reimbursement, the company shall submit a project progress report or final report according to the instructions provided by the Ministry for Foreign Affairs. In addition, an auditor's statement must be submitted. Attached to the auditor's statement shall be the BPS auditor's checklist duly completed.

More detailed instructions on auditing and reporting are given in paragraphs 15 to 19 of this Appendix, in the Audit Instructions, Auditor's Statement Template and Reporting Instructions.

## **SUPERVISION OF USE OF SUPPORT**

### **Right of supervision by the Ministry for Foreign Affairs**

14. The Ministry for Foreign Affairs or its assigned representative, the National Audit Office of Finland and state auditors are entitled, in a company's premises or otherwise, to audit the company's entire accounts, assets and other data and reports, documents, records and other material that have a bearing on the audit, and to also otherwise review the implementation of the project in question. The company is obligated to provide the Ministry with correct and adequate information, material that is required for the audit, and any necessary assistance in the course of the audit.

### **Bookkeeping and audit**

15. In the project's bookkeeping, the regulations of the national accounting rules and regulations of the company's country of registration (e.g. Accounting Act and Decree of Finland) as well as good accounting practice have to be observed. Information and clearings pertaining to the use of the support and total assets of the project as well as self-financing have to be clearly entered onto separate accounts so that they can be reviewed and audited without problem. Under a separate master account, sub-accounts should be used as far as possible for types of expenditure approved to the project budget. Information necessary from the point of view of accounting should be available from the receipts which have to be archived and stored so that the Ministry can access them for auditing. Auditing has to be carried out in accordance with the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as well as with this instruction. Auditor has to audit 100% of the expenses included in the reimbursement request (a random sample audit is not sufficient).

*Finnpartnership* recommends auditing to be carried out by the auditor selected by the company's general meeting. In a case where the company is not obligated by the Auditing Act to select an auditor, it is, however, obligated to select an auditor for the auditing of the Business Partnership Support. The selected auditor must meet the requirements set out in the following paragraph. The Ministry for Foreign Affairs and the *Finnpartnership* programme have the right to directly contact the selected auditor of the company receiving Business Partnership Support.

The auditor has to hold a degree of an authorised auditor (KHT, HTM or a similar qualification) approved in the country of registration of the company receiving support. Auditors have to fill in a checklist in accordance with the instructions provided by the Ministry for Foreign Affairs and prepare a report according to the provided instructions.

## **Reporting**

16. Accompanying every reimbursement request, the applicant is to deliver a progress/final report that describes project's activities and financial management. In the event that the project has been concluded or if the reimbursement is to be for at least two thirds of the granted support, the final report should be included; a progress report is delivered in other instances. If the support expires without any reimbursements being made, the applicant is to provide a brief explanation on the details regarding the expiration of the project.
17. The company has to fill in project follow-up questionnaires (two in total). The company shall receive the first electronic questionnaire no later than one year after the date of expiry of the support. The second questionnaire is sent one year after the submission of the first follow-up report at the latest.
18. Instructions concerning the progress and follow-up reports are provided in Appendix 5 (Reporting instructions). The progress and follow-up reports are submitted through the e-Service of the Ministry for Foreign Affairs.
19. Any changes with an essential impact on the timetable of the project or other matter relating to the use of the support have to be informed without delay in writing to the Ministry for Foreign Affairs.

## **FAILURE TO COMPLY WITH THE TERMS AND CONDITIONS – REFUND AND CLAIM OF RECOVERY OF SUPPORT**

### **Consequences of failure to comply with the terms and conditions**

20. In case the terms and conditions relating to the use of the Business Partnership Support, set by the Ministry for Foreign Affairs, have not been complied with, the Ministry can establish a due date for compliance with the conditions;
  - suspend payment of support; and
  - order a repayment of disbursement.

### **Suspending disbursements**

21. The Ministry for Foreign Affairs can suspend disbursement of granted support to a company if there is reason to suspect that the company does not observe the terms and conditions set for the use of the support;  
the grounds of support have essentially changed after the date of granting; or  
a suspension of disbursements is required based on European Union law.

### **Repayment**

22. A company is obligated to immediately repay the support or a part of it in case support is received through error, in excess or in case it is clearly unjustified.

### **Clawback**

23. The Ministry for Foreign Affairs is entitled to decline to disburse a granted support or to claw back a disbursement or a part of it with interest if it is found that
  - a company has failed to repay a support that has been deemed for repayment based on section 21;

- a company has used a support for an end that essentially differs from its intended use at the time of granting;
- a company has presented such incorrect or misleading information about a matter in order to obtain Business Partnership Support that has essentially influenced the decision about the support, its amount or terms, or a company has concealed such information;
- a company does not supply the reports and clarifications specified in sections 16, 17, 18 and 19 by their due dates or hinders the supervision and/or audit of the use of the support;
- a company has terminated the activities for which support had been obtained or downsized operations or transferred the business to someone else;
- a company has become subject to execution, been placed into liquidation, faced bankruptcy or the company's capacity to take responsibility for the activities for which the support had been granted has weakened for some other corresponding reason;
- a company fails to otherwise comply with the terms and conditions set by the Ministry for Foreign Affairs or the provisions relating to discretionary government transfer and its implementation;
- the European Union Law requires that there is reason to do so; or
- according to the provisions relating to discretionary government transfer and their implementation, there are grounds or some other special reason comparable to the aforementioned aspects for the termination or repayment of disbursements.

### **Interest**

24. Recipients of discretionary government transfer shall pay an annual interest in accordance with Section 3(2) of the Finnish Interest Act (Korkolaki 633/1982) plus three percentage points on the amount to be repaid or clawed back from the day the transfer was paid. (Act on Discretionary Government Transfers 688/2001, Section 24).

### **OTHER TERMS AND CONDITIONS RELATED TO THE USE OF THE SUPPORT**

25. Business Partnership Support, granted by the Ministry for Foreign Affairs, is a part of the development cooperation carried out by the public sector in Finland and it is included in the reports on Finland's Official Development Assistance to the OECD.
26. If the applicant company receives financial support from another development cooperation instrument of the Ministry for Foreign Affairs, the company is required to provide a separate statement on which it clarifies that the Business Partnership Support applied for is not directed towards the same activities for which the company receives support from another development cooperation instrument.
27. In other respects, the provisions concerning discretionary government transfers and their implementation given in the Act on Discretionary Government Transfers (Valtionavustuslaki 688/2001) and statutes issued by virtue of it as well as the rules and instructions at [www.finnpartnership.fi](http://www.finnpartnership.fi) related to Business Partnership Support shall be observed.