

General terms and conditions of Business Partnership Support

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.

In addition, Business Partnership Support may be used for funding such joint projects between civil society organisations (CSOs)/educational institutions and companies that are directly linked with a project receiving funding from the Finnpartnership Programme or the Developing Markets Platform (DevPlat), which is administered by Business Finland. The support also aims to promote synergies between the Finnpartnership Programme and DevPlat. Business Partnership Support may also be used for funding business-related vocational education and training when these projects are considered to have significant development impacts.

2. The Ministry for Foreign Affairs of Finland grants Business Partnership Support in the form of a discretionary government grant for independent development cooperation activities defined in the discretionary government grant decision and carried out by applicants. The applicant can be a company or other actor or a consortium of several companies and/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 country of operation. 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 grant decision specifying the terms and conditions of the Business Partnership Support, the applicant/recipient can also be referred to as the “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 ensuring the proper use of the support. Business Partnership Support is a discretionary government grant in the use of which the terms and conditions provided for in the discretionary government grant decision, and its appendices and the Finnish Act on Discretionary Government Transfers (Valtionavustuslaki 688/2001) must 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. The contact details of the Finnpartnership Programme are Finnpartnership, c/o Finnfund, tel. +358 (0)9 348 434, www.finnpartnership.fi and 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 include, 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/agencies and international financial institutions.

The purpose of the activities for which support has been granted must be socially acceptable.¹ In its activities in 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 force in the country in question.²

Activities in projects to which the Ministry for Foreign Affairs has granted funding must promote the objectives and principles of Finland's development policy, including the human rights-based approach to development. The Government Report on Development Policy is available for download at <https://um.fi/goals-and-principles-of-finland-s-development-policy>

The company must also comply with the principles of good governance, tax responsibility, transparency and measures against corruption in all procurement and other activities related to the project. In respect of tax responsibility and transparency, companies must follow the Foreign Ministry's tax responsibility policy. Additionally, 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 that such activities have occurred.

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. Once 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.

¹List of activities for which support cannot be granted: https://finnpartnership.fi/wp-content/uploads/2017/10/Prohibition_Final_1.1.2014-1.pdf

²For more information, please visit the International Finance Corporation (part of the World Bank Group) website: http://www.ifc.org/wps/wcm/connect/c8f524004a73daeca09afd998895a12/IFC_Performance_Standards.pdf?MOD=AJPERES
https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC

The minimum requirement is that the supported activity complies with the laws of the country of operation and does not have any major negative social or environmental impacts³. When assessing the applications and later during the project cycle, the Ministry for Foreign Affairs requires that the environmental and social requirements be 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;
- An import project with commercial market potential and development impacts which boosts imports from developing countries to Finland and possibly to other countries;
- Another 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;
- A pilot or proof-of-concept project related to a commercial/merchandised technology or solution as a part of the activities of an international organisation (EU, UN organisations/agencies, international financial institutions). The self-financing required for the project counts as eligible expenses; in this case, the self-financing required by the organisation is the total project cost for the company;
An eligible pilot or proof-of-concept project to be implemented as a part of the activities of an international organisation is a project that, if successful, can be assumed to lead to long-term commercial cooperation that creates developmental value;
- Joint projects between civil society organisations/educational institutions and companies, which are not seeking a profit-making partnership and which are directly linked with a project receiving funding from the Finnpartnership Programme or the Developing Markets Platform (DevPlat) that is administered by Business Finland. A business project linked with activities supporting a civil society organisation/educational institution is subsequently referred to as a parent project. Civil society organisations/educational institutions may carry out essential activities that support the parent project, such as:
 - ✓ cooperation between companies and civil society organisations/educational institutions to develop the capacity (related to corporate responsibility and human rights questions and vocational, technical and business training) of the parent project's interest groups, to develop cooperation networks, to pilot products and services, etc.;
 - ✓ developing cooperation and innovation platforms related to the parent project; and
 - ✓ organising seminars and workshops related to the parent project as a part of general awareness raising and advocacy 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. overhaul of curricula, teacher training, equipment and machinery, refurbishment of facilities) and for 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! As regards vocational, technical and business training (including categories: 1) joint projects between civil society 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

³ 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.

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 country of operation. 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 (projects must have direct development impacts) ****
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 Civil society organisations, educational institutions	85%	85%	85%

*The EU defines an SME as follows:

- fewer than 250 employees
- annual turnover does not exceed EUR 50 million or annual balance sheet total does not exceed EUR 43 million
- the definition is also influenced by the company's relationship with other companies with respect to 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

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

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

****Covers the OECD/DAC category of *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 has yet to be defined or if 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 does not constitute *de minimis* aid, reasons for this must be given in the application. Each project is assessed individually to determine whether it falls under the *de*

de minimis regulation. Projects whose effects do not focus on the European Economic Area do not fall under the *de minimis* regulation.

- a. Within the framework of the *de minimis* regulation, a company may be granted support not exceeding the ceiling of EUR 200,000 over any three fiscal-year period. The total amount of *de minimis* financing granted by all different public authorities during the period under review should be taken into consideration. At the group level, a parent company and its subsidiary operating in the same Member State are treated as a single company, and the support they receive is added together. Prior to granting *de minimis* aid, the Ministry for Foreign Affairs must obtain full information – in writing or via email – concerning 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 export aid or as aid favouring domestic over imported products.

All the information regarding the application of the *de minimis* regulation shall be recorded and compiled 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 *de minimis* 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 in Business Partnership Support per project can be allocated for projects that 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 grant has been granted.

Changes to original use

10. If changes are made to 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. The support granted shall be used and the reimbursement request shall be submitted within 24 months after the date of notification of the decision to award the discretionary government grant. The support granted shall be used and the reimbursement request shall be submitted within 24 months after the date of notification of the decision to award the discretionary government grant. Unless otherwise proven, the discretionary government grant decision is considered to have been received for

information on the third day after the decision has been available for viewing in the e-Service. In the event that the company has not requested reimbursement of the granted funds by the due date, the Ministry for Foreign Affairs can annul the decision to award 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. Expenses eligible for Business Partnership Support are specified in Appendix 2.

PAYMENT OF SUPPORT

13. Business Partnership Support is paid retroactively on the basis of the actual approved and paid expenses in one or two instalments to the bank account provided by the recipient. Before the support can be paid, the company must sign and return the Letter of Commitment (Appendix 6) as instructed. The request for payment shall be submitted within 24 months after the date of notification of the discretionary government grant decision. To obtain the reimbursement, the recipient company must send a request for payment, along with the required attachments, to the Ministry for Foreign Affairs/KEO-50, filled in properly according to the instructions issued by the Ministry for Foreign Affairs. The payment request must correspond to the actual, paid and eligible expenses based on the project budget (Appendix 2).

In order to receive the payment, the company must submit a progress report or final report in conjunction with the request for payment according to the instructions issued by the Ministry for Foreign Affairs. In addition, the company must submit an auditor's statement. The auditor's statement must include as an attachment the BPS auditor's checklist duly completed.

More detailed instructions on auditing and reporting are given in paragraphs 15 to 18 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 company receiving Business Partnership Support must comply with the national accounting rules and regulations of the company's country of registration (e.g. the Accounting Act and Decree of Finland) as well as good accounting practice. The accounts of the project shall be organised in such a way that information and account reports on the use of the

Business Partnership Support and total assets of the project, as well as the self-financing contribution, are clearly entered onto separate accounts so that they can be reviewed and audited without difficulties. Under a separate master account, sub-accounts should be used as far as possible for types of expenditure approved in the project budget.

Expense receipts must contain relevant bookkeeping information and be filed and kept so that the Ministry has access to them for auditing. The auditing must 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 these instructions. The auditor must audit 100% of the expenses included in the reimbursement request (a random sample audit is not sufficient).

Finnpartnership recommends that the auditing be carried out by the auditor selected by the company's general meeting. In the event that the company is not otherwise 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 communicate directly with the selected auditor of the company receiving Business Partnership Support.

The auditor must 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 must fill in a checklist in accordance with the instructions provided by the Ministry for Foreign Affairs and prepare a report according to the template provided.

Reporting

16. In connection with every payment request, the applicant is to submit a report that describes the project's activities and use of funds. It is recommended that the report be prepared using the reporting template found on *Finnpartnership*'s website (Appendix 5). If the support expires without any payments being made, the applicant is to provide a short description of why the project has not been carried out.
17. The company must 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 shall be sent one year after the submission of the first follow-up report at the latest.
18. The company must notify the Ministry for Foreign Affairs of any changes that will have an essential impact on the project timetable or use of the support without delay.

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

19. If the terms and conditions set by the Ministry for Foreign Affairs relating to the use of the Business Partnership Support have not been complied with, the Ministry may:
- establish a due date for compliance with the conditions;
 - suspend payment of support; and
 - order the return of support that has already been disbursed.

Suspending disbursements

20. The Ministry for Foreign Affairs may suspend disbursement of granted support to a company if:
- there are reasonable grounds to suspect that the company will not comply with the conditions set for the use of support;
 - the grounds on which support was granted have essentially changed; or
 - a suspension of disbursements is required by European Union law.

Repayment

21. The organisation shall be obligated to return the support or part of it without delay if the grant was awarded erroneously, excessively or manifestly without grounds,

Clawback

22. The Ministry for Foreign Affairs is entitled to decline to disburse the grant it has awarded 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 grant that has been deemed for repayment based on section 20;
 - a company has used the grant 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 and 18 by their due dates or hinders the supervision and/or audit of the use of the grant;
 - a company has terminated the activities for which support had been obtained, downsized its operations or transferred the business to another entity;
 - 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 become 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 grants and their implementation;
 - the European Union law requires the clawback; or
 - according to the provisions relating to discretionary government grants and their implementation, there are grounds or some other special reason comparable to the aforementioned aspects for the termination or repayment of disbursements.

Interest

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 grant was paid. (Act on Discretionary Government Transfers (688/2001), section 24)

23. Recipients of discretionary government grants shall pay an annual interest in accordance with Section

OTHER TERMS AND CONDITIONS RELATED TO THE USE OF THE SUPPORT

24. 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. The names of organisations that have submitted applications for support and the names and sectors of recipients of Business Partnership Support, along with the project statistics collected using the application form, the project's country of operation and the amount of support applied for/granted, are public information.
25. If the applicant company receives financial support from other development cooperation instruments of the Ministry for Foreign Affairs, the company is required to provide a separate statement in which it clarifies that the applied Business Partnership Support is not directed towards the same activities for which the company receives support from other development cooperation instruments.
26. In business projects whose parent project is in the Developing Markets Platform (DevPlat), administered by Business Finland, information relevant for the grant decision can be exchanged between Business Finland, the Ministry for Foreign Affairs, and the Finnpartnership Programme.
27. In other respects, the recipient must apply the provisions on government grants and their implementation laid down in the Act on Discretionary Government Transfers (688/2001) and in the provisions issued on the basis of the Act, and other regulations and instructions concerning Business Partnership Support, which can be found at www.finnpartnership.fi