

20 December 2023

Standard terms and conditions for research, development and innovation activities (RDI) financed by the Ministry of Agriculture and Forestry

1. General

1.1 Name of the standard terms and conditions

Standard terms and conditions for research, development and innovation activities (RDI) financed by the Ministry of Agriculture and Forestry.

1.2 Validity of the terms and conditions

These standard terms and conditions are valid from 20 December 2023.

1.3 Scope of the standard terms and conditions, and applicable statutes

The Act on Discretionary Government Grants (688/2001), statutes specific to individual grant schemes and all general provisions binding on central government authorities, in particular the Administrative Procedure Act (434/2003), will apply to the awarding, use and monitoring of discretionary government grants. Provisions on RDI are also laid down in the Communication from the Commission: Framework for State aid for research and development and innovation (2022/C 414/01).

The government grant decision and its appendices complement each other. If these documents are in conflict, they are applied in the following order (the lower number has priority): 1) Government grant decision and the special terms and conditions provided in it, 2) Standard terms and conditions appended to the government grant decision, 3) Approved cost estimate, 4) Approved implementation plan, 5) Government grant application and its supporting documents.

These standard terms and conditions are part of the decision on awarding a discretionary government grant.

1.4 Compliance with terms, conditions and restrictions

The government grant recipient must observe the terms, conditions and restrictions specified in the government grant decision and in the standard terms and conditions concerning the grant-financed activity.

1.5 Openness of the government grant decision and of the information on the discretionary government grant

Pursuant to section 1 of the Act on the Openness of Government Activities (621/1999), official documents are in the public domain, unless specifically provided otherwise in the Act or another act. Provisions on the grounds for non-disclosure of documents are laid down in section 24 of the Act on the Openness of Government Activities. Documents concerning the research material for a thesis or other scientific study, technological or other development

project, or the assessment of the same are, as a rule, non-disclosable (section 24, paragraph 21 of the Act on the Openness of Government Activities).

Information in the public domain includes, for example, the name of the government grant applicant and recipient and the euro-denominated amounts of the applied-for, awarded and paid discretionary government grant.

Pursuant to section 32b of the Act on Discretionary Government Grants, the government grant authority or another party which awards discretionary government grants by virtue of law submits the minimum information about government grant activities to the State Treasury for storage in the data repository of government grant activities. Provisions on this information are laid down in the Act on Discretionary Government Grants and in the Government Decree (1394/2022).

1.6 Payment of discretionary government grants

The conditions for the payment of discretionary government grants are defined in the government grant decision.

Pursuant to section 12, subsection 4 of the Act on Discretionary Government Grants, government grant recipients must provide government grant authorities with correct and sufficient information for paying the grant.

1.7 Terms and conditions related to the procurement procedure

The government grant recipient must determine its potential obligation to comply with the procurement legislation (the Act on Public Procurement and Concession Contracts 1397/2016) when making purchases and take this obligation into consideration in its activities. Any purchase of at least EUR 60,000 (VAT 0%) must be put out to tender in accordance with the Act on Public Procurement and Concession Contracts if the grant recipient has received for the purpose of making the purchase more than half of its value in grants from a contracting entity referred to in said Act. A procurement may not be broken into lots, nor may its value be reduced by exceptional means in order to evade the application of the Act on Public Procurement and Concession Contracts. Neither may a procurement of goods or services be attached to a public works contract, nor may procurements be otherwise artificially combined in order to evade the application of the Act on Public Procurement and Concession Contracts.

Due to the openness of public procurement, the Ministry of Agriculture and Forestry requires that all procurements exceeding EUR 20,000 (VAT 0%) are put out to tender by inviting tenders or in some other way requesting quotes from more than one supplier of goods or services. Documents related to competitive tendering must be documented and, upon request, submitted to the Ministry of Agriculture and Forestry.

In all procurement, the government grant recipient must ensure that the tenderer or its group of beneficiaries is not subject to sanctions imposed by the European Union, the United Nations (UN) or Finnish authorities, or to asset-freezing decisions. In invitations to tender, this can be achieved by adding the supplier's assurance that it or its circle of beneficiaries is not subject to sanctions.

1.8 Other terms and conditions related to general matters

The government grant recipient must see to its organisation's good governance, adequate risk management and internal control.

The government grant recipient must ensure that the copyright or other intellectual property rights of the results achieved in the grant-financed activity or project belong to it by virtue of law or separate agreement and that the achievement of results does not infringe the copyright or other intellectual property rights of third parties.

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 party responsible for accounting must be notified of the government grant decision. The government grant recipient must establish in its accounting a cost centre that is separate from other activities to monitor the finances of the grant-financed activity or project. Finances refer to the costs, revenue and financing arising from the activities or the project.

The government grant recipient must see to appropriate working time monitoring if it is required to reliably verify the salary costs allocated to the grant-financed activities.

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

2.2 Using the discretionary government grant for an approved purpose

Discretionary government grants may only be used for the purpose specified in the government grant decision. The government grant recipient must use the discretionary government grant as stated in the government grant decision and application documents so that the objectives set for the project are achieved.

2.3 Terms and conditions related to redistribution

Discretionary government grants may be redistributed if the government grant decision allows redistribution. Before redistributing a discretionary government grant, the government grant recipient must conclude an agreement governed by private law with the recipient of redistributed funds and ensure that the recipient of redistributed funds is aware of the nature of financing using a discretionary government grant.

The agreement must include the following clauses:

- statement that the agreement concerns the redistribution of a discretionary government grant
- condition that the recipient of funds from the redistributed government grant complies with the terms and conditions specified in this decision
- statement that the Ministry of Agriculture and Forestry has the right to audit the finances and activities of the recipient of redistributed funds
- condition that the recipient of redistributed funds returns the discretionary government grant to the government grant recipient (e.g. a central organisation) if

the Ministry recovers part of the grant because the recipient of redistributed funds has not complied with the terms and conditions of the agreement concerning the use of the grant

- statement that a contractual penalty is imposed in order to ensure compliance with the terms and conditions.

The government grant recipient is responsible for the correct use of the grant also in respect of any redistributed funds. As part of its obligation to report on the use of the discretionary government grant, the government grant recipient must report on the use of the grant also when it comes to redistributed government grants.

The agreement between the government grant recipient and the recipient of redistributed funds must be submitted upon request to the government grant authority for its information.

2.4 Restrictions concerning the period of use

Special grants may only be used over the period of use specified in the government grant decision.

2.5 Restrictions and obligations concerning the use of property purchased with the discretionary government grant

The government grant recipient must insure the property acquired with the discretionary government grant appropriately and to a sufficient value.

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

The Ministry of Agriculture and Forestry may, based on a request submitted by the government grant recipient and for a justified reason, change the purpose and period of use and revise the terms of the discretionary government grant. The government grant recipient must submit its request in writing before the project end date stated in the government grant decision so that the Ministry may make its decision on the revision before the implementation of the potential grant-financed measure begins. The request must include a new project plan, cost estimate and financing plan if they have changed in any way. The request must include the reference number of the government grant decision.

3. Terms and conditions related to grant-financed costs and to revenue and financing

3.1 Eligible costs

Reasonable costs that are necessary for the grant-financed activity or project are considered to be eligible costs. The government grant recipient may only apply for reimbursement of costs incurred during the project's implementation period specified in the government grant decision. Payment for the costs must have actually taken place and must be verifiable from the accounts. Only the actual amount payable by the government grant recipient will be approved as cost.

Costs that according to the Accounting Act (1336/1997), the Accounting Decree (1339/1997) and good accounting practice must be recorded as expense for the period of use of the discretionary government grant will be taken into account as eligible costs. Machinery and equipment are not eligible costs unless they have been specifically approved in the government grant decision. In this case, only the portion used by the project is reimbursed; this is calculated

based on the depreciation and usage period of the equipment. Such procurements must be approved by the Ministry of Agriculture and Forestry before the equipment is purchased.

Acceptable payroll costs may include payroll costs incurred from work necessary for the project implementation, including statutory non-wage payroll costs, and costs based on an act or a collective agreement. Wages and salaries are eligible insofar as they do not exceed the general level of wages in the sector. Holiday pay reserves incurred from project implementation are eligible costs. Statutory occupational healthcare costs are eligible costs. Wages and salaries may not be paid in the form of a grant.

Overheads are attributed to the project using an overheads factor. The overheads factor is defined as a percentage of overheads of the total amount of direct pay and non-wage payroll costs attributed to the project. The Ministry of Agriculture and Forestry approves the overheads factor proposed by the government grant recipient, provided that the factor is determined on the basis of accounts so as to satisfy the criteria for accurate accounting.

If the government grant recipient does not have a cost monitoring system for calculating the total project cost and the factors cannot be determined on the basis of accounts so as to satisfy the criteria for accurate accounting, financing will be awarded for the direct additional costs arising from the project and for the overhead cost increment, which is 17 per cent for the Ministry of Agriculture and Forestry projects. In this model, only direct costs that can be verified from the accounts and attributed to the project can be reimbursed.

If the work carried out for project implementation only takes a part of the person's working hours, the financing of payroll costs is conditional upon separate working time monitoring that specifies the work carried out for project implementation, the total amount of work carried out during project implementation and the payroll costs arising from the project. Electronic working time monitoring reports can be used to verify the working hours. The working time monitoring forms must be signed or approved electronically by both the employee and the employer.

Travel expenses are eligible to the extent they are reasonable and the compensation payable to the traveller does not exceed the terms and conditions of the collective agreements applicable to the government grant recipient. If the collective agreements applicable to the government grant recipient do not contain terms and conditions regarding reimbursement of travel expenses or if there are no collective agreements applicable to the government grant recipient, all travel expenses are accepted according to the State Travel Regulations. Any travel abroad must be approved in advance by a steering group or project supervisor.

Any movable assets or devices acquired during the project must remain in the service of the government grant recipient's activities.

Value added tax is an eligible cost if the government grant recipient is the final payer of the tax.

The government grant recipient may only attribute overheads to the grant-financed activity if the government grant was not awarded on the basis of a total cost model. Overheads include the government grant recipient's general management costs that are not directly attributed to a specific activity or project.

Overheads must be based on the actual incurred costs and must be:

- clearly and justifiably attributed
- within the project budget

- separately documented
- based on the same grounds for the entire duration of use
- based on the matching principle.

Information on the matching principle applied to overheads must be submitted to the Ministry upon request.

The Ministry of Agriculture and Forestry has the right not to approve costs presented in the statement of accounts if it cannot be clearly discerned how the costs are related to the grant-financed activity.

3.2 Non-eligible costs

Costs that are not eligible:

- depreciation
- fundraising costs
- costs of business and investment activities, loan repayments and interest
- reserves (with the exception of holiday pay reserve)
- imputed items not based on actual costs
- redundancy payments or payroll costs payable during the period of notice without an obligation to work
- performance-based bonuses, bonuses, fringe benefits
- legal costs, compensation payments imposed by a court and penal charges, such as fines or interest for late payment
- advocacy and entertainment costs (in line with the Finnish Tax Administration guides on entertainment expenses in income taxation)
- costs excluded in the decision
- costs that do not arise from the project or are not necessary or reasonable.

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

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

Revenue accrued during the project is taken into account as a deduction when determining the eligible costs of the project.

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

Own contribution to eligible costs refers to the portion of the total sum of eligible costs that remains after the total sum of eligible costs covered with external financing has been deducted.

3.5 Terms and conditions related to resources made available without payment

If the resources made available without payment for the project were taken into account in the government grant decision, the government grant recipient must report their use when reporting on the use of the discretionary government grant.

4. Government grant recipient's special obligations

4.1 Government grant recipient's obligation to provide information and notification obligation

The government grant recipient must provide the Ministry of Agriculture and Forestry with correct and sufficient information for monitoring that the terms and conditions of the government grant decision are observed.

The government grant recipient must notify the Ministry of Agriculture and Forestry without delay of any changes affecting the use of the government grant in accordance with its purpose and of any other change affecting its use. Such changes in particular refer to those affecting the realisation of the terms, conditions and restrictions concerning the use of the government grant. Changes affecting the use of the government grant also include essential changes in the quality, extent or financing of the grant-financed project or activity. Changes are assessed against the information provided in the government grant application that was used as the basis for the government grant decision.

The government grant recipient must notify the Ministry of any changes to its persons in charge.

4.2 Obligation to repay a discretionary government grant

Pursuant to section 20, subsection 1 of the Act on Discretionary Government Grants, a government grant recipient must without delay pay back, in full or in part, any government grant it has received through error, in excess or without justification. The government grant recipient must also pay back, in full or in part, a discretionary government grant that cannot be used as specified in the government grant decision. If the repayable sum does not exceed EUR 100, it will not be necessary to pay it back.

The government grant recipient must pay an annual interest in accordance with section 3, subsection 2 of the 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.

If the recovered sum is not paid by the due date set by the Ministry of Agriculture and Forestry, an annual interest for late payment will be payable on the sum in accordance with the interest rate referred to in section 4, subsection 1 of the Interest Act.

The recovery payment must include the reference number of the government grant decision and the item from which the government grant was paid. The government grant recipient makes the recovery payment after it has received from the Ministry of Agriculture and Forestry a decision on the amount to be recovered and an invoice, which is sent to the government grant recipient separately in electronic form.

4.3 Obligation to report on the use of the discretionary government grant

A report on the use of the government grant is submitted to the Ministry of Agriculture and Forestry by the date specified in the government grant decision.

The following documents concerning the discretionary government grant must be submitted with the payment application and the final report, and the interim report, if any:

- general ledger/accounting reports for the cost centre. The general ledger/accounting reports must be detailed enough to allow verification of how the cost relates to the eligible activity.

- pay statement on salaries and wages
- procurement statement on procurements exceeding EUR 20,000
- description or report of the grant-financed activity or project and the achievement of its objectives and results, and an impact assessment.

Where necessary and upon request of the Ministry of Agriculture and Forestry, the government grant recipient must also submit other evidence on the use of the government grant, such as the working time monitoring form, the calculation criteria for non-wage payroll costs and for overhead factors and the VAT report.

4.4 Impact assessment of the grant-financed activity or project

After using the discretionary government grant and reporting on it, the government grant recipient must participate, where necessary, in producing and providing essential information on the impact of the grant.

5 Monitoring of the use of the government grant, suspension of payment and recovery

5.1 Monitoring and supervision practices

The government grant recipient must provide the Ministry of Agriculture and Forestry with correct and sufficient information for monitoring that the terms and conditions of the government grant decision are observed.

The government grant recipient must notify the Ministry of Agriculture and Forestry without delay of any changes affecting the use of the government grant in accordance with its purpose and of any other change affecting its use.

5.2 Right to audit

Sections 16 and 17 of the Act on Discretionary Government Grants contain provisions on the right to audit and the carrying out of audits.

The Ministry of Agriculture and Forestry 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.

The Ministry of Agriculture and Forestry may by its decision authorise another authority or an external auditor to carry out such audits, and the Ministry may also use an external expert to assist in the audit.

The auditing official and the auditor are entitled to take possession of the material subject to audit if auditing so requires. A record of taking possession of the material is made during the audit, stating the purpose of taking possession of the material and indicating what has been taken. The material will be returned without delay after it is no longer needed for the audit.

To the extent required by the audit, the auditing official and the auditor conducting the audit are entitled to access the business premises, storage facilities and other similar properties used for professional or business purposes as well as other areas that are relevant to the awarding of the discretionary government grant and the monitoring of its use. Audits may not be carried out in premises that are subject to domestic privacy provisions.

5.3 Government grant recipient's obligation to assist in the audit

Pursuant to section 17, subsection 1 of the Act on Discretionary Government Grants, the government grant recipient must provide the auditing official or another official carrying out the audit as authorised by the Ministry or the auditor 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.

5.4 Suspension of payment of the discretionary government grant

Pursuant to section 19 of the Act on Discretionary Government Grants, the government grant authority may decide to suspend the payment of a discretionary government grant 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;
- 2) the grounds on which the government grant was awarded have essentially changed; or
- 3) suspension of payment is required by European Community law.

5.5 Recovery of the discretionary government grant, and interest

Provisions on the government grant authority's obligation to recover discretionary government grants are laid down in section 21 of the Act on Discretionary Government Grants. The authority has a recovery obligation if the discretionary government grant recipient has:

- 1) failed to pay back a government grant which under section 20 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 government grant authority 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.

Pursuant to section 30 of the Act on Discretionary Government Grants, a sum to be repaid or recovered, including interest, may be collected by deducting it from another discretionary government grant paid to the same recipient and awarded by the same government grant authority.

Provisions on the discretionary recovery of government grants are laid down in section 22 of the Act on Discretionary Government Grants.