

Terms and restrictions concerning special discretionary government transfers granted by the Ministry of the Environment

Introduction

The Ministry of the Environment grants discretionary government transfers from Budget appropriations. The Ministry makes the decisions regarding discretionary government transfers, supervises their use and assesses their impacts.

Recipients of discretionary government transfers must observe the terms and restrictions included in the transfer decision concerning the activity for which the transfer was granted. Key provisions concerning the transfer recipient and other provisions concerning the use of the discretionary government transfer from the Act on Discretionary Government Transfers (688/2001) have been included in these terms and restrictions.

Use of the transfer

Discretionary government transfers may be used only for the purpose stated in the transfer decision.

The actual income and costs of the project for which the transfer has been granted must be monitored in accounting by giving them a separate monitoring target of their own (hereinafter the “project”). The transfer decision indicates the proportion of the actual total costs of the project in question that may be covered by the special discretionary government transfer.

A special discretionary government transfer granted by the Ministry of the Environment shall be used to cover the deficit arising from the project for which the transfer has been granted.

This deficit is calculated by subtracting from the acceptable costs the other grants awarded for the same costs and the possible proceeds from the project.

If the amount of the discretionary government transfer granted by the Ministry is larger than the actual deficit, the difference between the transfer and the actual deficit must be repaid to the Ministry (see Repayment of a discretionary government transfer).

If the discretionary government transfer granted in the transfer decision may be used to fund an activity or a project carried out by a party other than the transfer recipient, the transfer recipient must conclude an agreement in accordance with the Act on Discretionary Government Transfers on the use, the monitoring of the use, and the terms of the discretionary government transfer with the party implementing the activity or project.

A special discretionary government transfer may be used only during the period of use mentioned in the transfer decision. The income and costs corresponding to the purpose for which the transfer will be used must be actual costs incurred and actual income received during the period of use of the transfer and they must be recorded for the period of use.

Acceptable costs

Reasonable costs that are necessary for the project for which the transfer has been granted are considered to be acceptable costs. Costs that according to the Accounting Act (1336/1997), the Accounting Ordinance (1339/1997) and the good accounting practice must be recorded as expenditures for the period of use of the discretionary government transfer will be taken into account as acceptable costs.

Procurement

Procurement refers to the purchase or rental of goods and services or to activities similar to it and to the contracting of work against a financial compensation.

Procurement does not include, for example,

- goods and services produced by the transfer recipient itself
- recruitment to an employment relationship
- acquisition or rental of land, existing buildings or other immovable property

However, if the discretionary government transfer is used for the acquisition of movable fixed assets and the acquisition costs are recorded in the balance sheet, the acquisition costs can, however, be fully taken into account as acceptable costs for the period during which they have been used in the project.

Special discretionary government transfers must not be used to cover facility costs not resulting from the project. Furniture and device acquisitions carried out using project assistance must be necessary for the implementation of the project. The movable property acquired in the project must remain to be used in the non-profit activities of the transfer recipient.

In investment aids, the acquisitions included in fixed assets are in their entirety (excluding VAT) considered to be acceptable costs.

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

Salaries and remunerations

As reasonable costs, the Ministry accepts salaries or remunerations for each salary earner to the amount corresponding to an annual salary of EUR 80,000 at the most, including the statutory indirect costs. The salary may be paid a monetary salary or as benefits in kind.

The personnel costs that are considered to be acceptable are the costs of employees recruited for the project as well as costs of other employees if the transfer recipient reliably proves by means of working time monitoring that the work input has been used for the project. The employment contracts of the persons recruited for the project must indicate that the employee works 100% of their working hours on the project. If other employees are recruited, their salary costs must be allocated to the project in accordance with working hours monitoring. The working hours monitoring shall be approved by the person in charge of the project.

Goods and services produced by the transfer recipient itself

If the transfer recipient itself produces the service or goods that it needs, only the actual production costs of the service or goods shall be taken into account as acceptable costs.

Travel expenses

Costs incurred in accordance with the State Travel Regulations are accepted as reasonable travel costs. Costs that are justified for showing normal hospitality or politeness are accepted as reasonable representation costs necessary for the implementation of the project for which the discretionary transfer has been granted. Costs resulting from money given as a gift or from gift cards with a monetary value are not acceptable

Value added tax

As a rule, discretionary government transfers are granted only for project costs that are not subject to VAT, which means that, as a rule, the granted transfer/aid sum/amount does not include VAT. If the VAT remains to be paid as a final cost by the transfer recipient, VAT may be considered an acceptable cost. In discretionary government transfers granted to municipalities, only costs that are not subject to VAT are accepted.

Costs that are not acceptable

Acceptable costs do not include the following:

- depreciation, except for depreciation in accordance with the item (investment aids) above
- fundraising costs
- costs of business and investment activities
- provisions
- imputed cost items that are not based on actual costs
- loan repayments
- interests of loans
- payments of non-statutory supplementary pensions
- redundancy payments or costs of salaries paid for a period of notice without an obligation to work
- performance bonuses
- costs of court proceedings
- compensations imposed by courts
- punitive fees such as fines or penalty interests
- repayment of the discretionary government transfer, clawback obligations or credit loss from an aid that has been distributed to other parties

Allocation of overhead costs

The transfer recipient may allocate overhead costs of the activity to the special discretionary government transfer with the following restrictions.

Overhead costs include the costs resulting from the transfer recipient's general administration that do not directly result from any specific activity or project. If the overhead costs are incurred by the actor regardless of the project, the overhead costs cannot be allocated to the project in accounting. The maximum amount of overhead costs may be 15% of the total costs of the project for which the transfer has been granted. Overhead costs can be allocated only on the basis of the actual personnel costs.

Overhead costs must be:

- clearly and justifiably allocated
- in accordance with the project budget
- separately documented

- based on the same grounds for the entire period of use

Overhead costs must be based on actual costs that can also be proven.

Changing the purpose and period of use and the terms

The Ministry of the Environment may, based on an application submitted by the transfer recipient, change the purpose and period of use and the terms of the discretionary government transfer. The application concerning the change must be submitted no later than 30 days before the end of the period of use of the transfer. The register number of the transfer decision must be mentioned in the application.

Transfer recipient's obligations

Provision of information

The transfer recipient must provide the Ministry with correct and sufficient information for the purpose of overseeing that the terms of the transfer decision are observed.

The transfer recipient must without delay inform the Ministry of a change that will affect the realisation of the purpose for which the transfer has been granted, the use of the transfer or the realisation of other terms and restrictions set for its use. In addition to what has been mentioned above, the transfer recipient must without delay inform the Ministry of any substantial changes that are related to the quality, extent or funding of the project for which the transfer has been granted.

The transfer recipient must assess the changes made to the information that has been submitted in the transfer application and that the transfer decision is based on.

Competitive tendering in accordance with the Act on Public Procurement and Concession Contracts

The transfer recipient must learn about and take into consideration in its activities its possible duty to comply with the legislation on procurement (Act on Public Procurement and Concession Contracts 1397/2016). In addition to the authorities in central government, municipalities and parishes, procurement units include such recipients of discretionary government transfers that meet the criteria for a body governed by public law laid down in section 5 of the Act. A body governed by public law is obligated to put out to tender its procurements in compliance with the procedures laid down in the Act on Public Procurement and Concession Contracts.

If the transfer recipient receives financial support from procurement units referred to in the Act on Public Procurement and Concession Contracts for carrying out a procurement and the value of the financial support is equal to more than half of the value of the procurement, the transfer recipient is obligated to comply with the Act in that procurement.

Accounting, audit and performance audit

The transfer recipient must organise the accounting in the manner laid down in the Accounting Act (1336/1997) and in the Accounting Ordinance (1339/1997). Accounting must be organised in such a way that it is possible to reliably monitor the use of the transfer in a separate cost centre in accounting.

Account concerning the use of the discretionary government transfer

The account must be submitted to the Ministry of the Environment by the deadline stated in the transfer decision.

The following documents must be enclosed to the account concerning the use of the granted aid

- a cost centre report on the actual income and costs of the project or activity for which the transfer has been granted for the period of use of the transfer
 - if the special discretionary government transfer has been granted for a specific acquisition, the cost can be proved with a receipt
- an account or report on the project or activity for which the transfer was granted

The income statement, the balance sheet and their appendices, the annual report and the auditor's report/report of performance audit must be submitted only if this is separately requested. The possible requirement to submit a statement by an external auditor is included in the transfer decision. The recipient of the discretionary government transfer must on request also submit other accounts required for the supervision of the terms of the transfer decision, such as the general ledger corresponding to the cost centre.

Repayment of the transfer

The recipient of a discretionary government transfer must repay without delay any transfer or part thereof it has received through error, in excess or manifestly without cause. The recipient must also repay the transfer or a part thereof if it cannot be used as required in the transfer decision. If the repayable sum does not exceed 100 euros, it is not necessary to repay it.

Provisions on clawing back a discretionary government transfer are laid down in sections 21 and 22 of the Act on Discretionary Government Transfers.

Interest payable on the amount repaid or clawed back

The recipient of the discretionary government transfer must pay an annual interest according to subsection 2 of section 3 of the Interest Act (633/1982) with an addition of three percentage points on the repaid or clawed back amount starting from the date on which the discretionary government transfer was paid.

If the sum clawed 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 subsection 1 of section 4 of the Interest Act.

In connection with the repayment, the register number of the decision must be mentioned and the share of the payable interest and the repaid aid must be detailed in the message field of the bank transfer.

The transfer must be repaid to one of the following accounts of the Ministry of the Environment:

Right to audit

The Ministry has the right to audit the finances and operations of the recipient of a discretionary government transfer as required by the payment of transfers and supervision of their use.

When the discretionary government transfer has been granted for a project or activity of a party other than that of the transfer recipient for the implementation of a purpose that is in accordance with the purpose defined in the transfer decision, the Ministry has the right to audit, as needed, the finances and operations of the party engaged in the activity or project for which the transfer was granted.

The recipient of the discretionary government transfer must provide the auditing official and the auditor with all information and reports, documents, records and other material needed for the purposes of the audit and assistance free of charge.