

# **FLC: Additional information for applicants in the area of private sector development**

**Support to the development of the private sector in developing countries can be roughly categorized into two:**

## **1. Support to Private Sector Development (PSD) and**

**2. Support to Private Sector Operations (PSO) PSD means generally development of the business enabling environment, including policies, rules and regulations, processes and institutions, and can be supported with many development policy instruments.**

PSO means, in turn, a more direct focus on the business and investment activities of the private sector actors, most notably companies. The selected development policy instruments can be used for the improvement and facilitation of growth of companies and their business activities. In addition to established FLC targets, the FLC may also be used for increasing cooperation between Finnish companies and the companies of the host country as well as other actors in the private sector, with the aim of generating positive impact on development in the host country.

In this context, the FLC may be used for the development of the local private sector and projects aimed at supporting the creation of business partnerships. It may also be used for promoting the exports from developing countries to Finland or other countries with the aim of creating positive development impacts on a socially and environmentally sustainable basis. The FLC may also serve to promote corporate social responsibility with a view to integrating social (e.g. decent working conditions) and environmental issues in the business activities of the companies and exporters in developing countries, as well as to advance general cooperation in the area of trade and economy between local and Finnish organisations. When the support is meant for companies, the project in question should have as little influence as possible on the local competition situation.

## **Eligible actors for Private Sector Development (PSD) and support to Private Sector Operations (PSO)**

**1. Local private sector/civil society organisations: Chambers of Commerce, business associations, trade promotion agencies, producer cooperatives and other similar private sector/civil society organisations.**

**2. Local private companies, including their business partnerships with Finnish companies. If the applicant is a private company, it must be registered in the partner country in question.**

The company must have sound financial record, sufficient commercial business experience as well as the required level of know-how. In addition the applicant must have sufficient financial and human resources for the implementation of the project. The applicant should therefore play an active part in the project and share the risks. A consultant conducting e.g. a feasibility study is hence not an eligible applicant.

### **Support to private sector/civil society organisations: Administrative rules**

Support to private sector/civil society organisations with not-for-profit and commercially non-viable projects is channelled through and administered with the conventional FLC practices.

### **Support to local private companies and business partnerships: Administrative rules**

Support to local private companies' for-profit and commercially viable business operations and private sector business partnerships are subject to a number of special provisions. Some provisions are presented below

### **Private sector support: A definition**

The FLC support can be applied for commercially viable business activities with clear positive development impacts. Commercial viability means that the activity aims at making profit and could be financed with private resources from the financial market, at least in the longer run. In these cases, the FLC funding is meant to be seed money for the early phases of a business-oriented project. Seed money means a small grant for a business partnership or project-type activity with the majority of funding coming from the company itself. Seed money cannot be used for equity capital of a company. FLC support can also be granted to a company with a not-for-profit and commercially non-viable project. An example of such an activity would be a corporate social responsibility project not directly linked to the core business of the company, such as vocational training for a broader community. Regardless of the profit orientation and commercial viability of the project, support to local private companies will always require application with the Private Company Application form where these special provisions apply.

### **Business partnerships: A definition**

A Business Partnership can be defined as long-term cooperation between companies in developing countries and Finnish companies, as well as between other commercial entities if for-profit.

### **Supported Project activities**

The FLC support can be allocated for various activities, including: [?](#)

- Identification of (a) business partner(s) in Finland [?](#)
- Feasibility study (with some exceptions) [?](#)
- Environmental or social impact assessment [?](#)
- Business plan on a commercial partnership [?](#)
- Training of the employees of the partner country partnership entity
- Use of external experts in the capacity development of the target country company/partner [?](#)
- Planning and other technical assistance in piloting projects related to Finnish environmental technology [?](#)
- Corporate social responsibility activity

The FLC support can be used for various phases of the project to cover the expenses. The different phases of the project and their respective costs must be specified in the application. Only the eligible expenses are taken into account when calculating the amount of the granted FLC support. The eligible expenses include: [?](#)

- Costs incurred in the project country/countries by the Company. This includes travel and accommodation expenses, but daily allowances are excluded. [?](#)
- If the project involves training and fact-finding activities of the employees outside the project country (e.g. in Finland), their travel and accommodation costs can be approved, but daily allowances are excluded. [?](#)
- Fees of an external expert/consultant for acceptable reimbursement ceiling is pre-determined by the Embassy based on best available local knowledge of expense levels at time of signing the agreement. Daily fees of the experts and the amount of days are agreed in programme plan. [?](#)
- Training costs which relate to transfer of know-how or technology can be approved, with the general limits regarding personnel, experts and travel as set out above.

### **FLC resources cannot be used for following activities and/or expenses: [?](#)**

- Feasibility studies for concessional credit schemes and export credit schemes originating from Finland [?](#)
- General marketing activities and marketing materials expenses [?](#)
- General product development costs [?](#)

- General market research costs, which play no part in the improvement of a specific business partnership ☒
- General seminar or visiting costs which play no part in the improvement of the business partnership (e.g. Partner identification) ☒
- Purchase costs of machinery and equipment if that is the only purpose of the FLC support

### **Maximum financial support**

The guiding principle is that the applicant provides the main share of the financing of the project. Moreover, the financial risks of the project should be one central criterion when the volume of the financial support is considered. The FLC support can cover maximum 70 % of the entire project costs.

### **Application process**

The application for the FLC support for private company and any other entity aiming to proceed into for-profit business partnership is submitted by filling in a FLC application form specially designed for private companies or business partnerships.