

Funds for Local Cooperation: Guidelines for Local Partners

Legal and Normative Context

The Funds for Local Cooperation (FLCs) granted by the Embassy of Finland are governed by Finnish legislation, particularly the Act on Discretionary Government Transfers (688/2001), and the Internal Instructions (6/2014) of the Ministry for Foreign Affairs (MFA) of Finland. The Internal Instructions set out the main principles concerning eligibility criteria for partners and use of the FLC funds.

A project funded from the FLCs is expected to implement the multi-year FLC Programme of the Embassy. The project's outputs should contribute to the outcome in one of the 1-3 sectors / themes of the Programme.

The local partners implementing FLC projects must abide by the relevant local legislation. As a rule all projects must be implemented by the local partners themselves, and only small procurements of a maximum of €15.000 from external agents may be allowed. If any procurement of goods or services for the value of €15.000 is needed, the procurement shall be carried out in compliance with the Finnish legislation on competitive bidding.

FLC Funding Cannot Be Granted:

- To Finnish Non-Governmental Organizations (separate applications through the MFA unit in question)
- For projects of friendship associations in Finland (separate applications through the MFA unit in question)
- To Finnish Government agencies or public bodies (separate applications through the ICI instrument)
- To Finnish municipalities (separate applications through the Association of Finnish Local and Regional Authorities)
- To Finnish businesses
- To the Government, ministries or municipalities of the host country
- To an unregistered association or organization (however, taking into consideration the special circumstances in the host country)
- To support the activities of a political party
- For basic research
- For single cultural events (that have no permanent development impact)
- For charity
- For humanitarian aid
- In the form of a grant, scholarship or assistance for the applicant's personal use;
- For purchasing land
- To a Fund
- For building the capital of microcredit systems (however, development projects and training are possible)

Selection Process

Eligible local agencies and organizations with potential FLC projects are looked for and selected by the Embassy of Finland through a public Call for Project Proposals. The Call is usually published in the website of the Embassy. All applicants must use the same standard application format (example of application) in order to guarantee that all key facts are presented and to allow for better comparability.

The application should be accompanied by a **Project Plan**, including the project's **results chain pr framework** and a **budget**. In case the application concerns core funding, the Project Plan is replaced by the organization's Action Plan and a budget, which indicate the area of activities that will be funded from the FLC grant.

Eligible applications for FLC projects grants must meet the Mission's compulsory requirements of the assessment criteria for applications. Those applications meeting **all** the compulsory requirements will be submitted for technical assessment. On the basis of a competitive scoring, the Embassy will select the best 1-3 applications from each sector / theme of the FLC Programme for continuing the process.

For those applications accepted for final selection, the Embassy will assess the applicant organization's financial and administrative capacity. The application of an organization failing the assessment will be rejected. The Embassy may also reject applications for budgetary reasons, because of the financial limits of the Embassy's FLC Programme. Based on the competitive scoring results, the Embassy will finally approve the best applications for funding.

The Mission requests FLC Partners to apply key elements of the Finnish development policy and quality standards, namely the Results Based Management (RMB), Human Rights Based Approach (HRBA) and Cross-Cutting Objectives (CCOs) in their project plans. They are an important part of the selection criteria for FLC applications, and projects which are assessed as Human Rights blind cannot be funded. If needed, a capacity development plan can be part of the Project Plan for a systematic integration of the quality standards throughout the project cycle.

Funding Decisions and Agreements

Both the positive and the negative Funding Decisions related to FLC applications are signed by the Head of Mission, or the person authorized by the Head of Mission to make the decisions. The FLC Coordinator does not make any Funding Decisions.

The Mission uses standard formats for Funding Decisions and Agreements.

The Funding Decision and Agreement describe the responsibilities of both parties. The Agreement (including the signed application with a Project Plan) is an integral part of the Funding Decision and a binding document. Legal action can be taken if the FLC Partner does not follow them or misuses the funds.

The Agreement or any amendments of it need to be signed by the Embassy and the partner organization in the original form in two copies, one for each party. On behalf of the Embassy, the Agreement is signed by the Head of Mission, or the person entitled by the Head of Mission to sign. On behalf of the partner organization, the signatory must have the authorization for signing on behalf of the organization he/she represents. Email correspondence is not applicable to the signing of the Agreement.

Contacting the Embassy: Correspondence

At the Embassy of Finland, FLCs are managed by the FLC Programme Coordinator.

Correspondence related to the FLCs should be sent to the address of the Embassy with the specification "Funds for Local Cooperation" or FLCs.

Email is a valid method of communication with the Embassy. Email messages should be sent directly to the FLC Coordinator. The Embassy handles electronic messages including letters and may archive all correspondence.

Project reports need to be signed. In electronic form they can only be accepted as pdf-attachments where the original signature is readable.

Payments to the FLC Partner Organization

The Funding Decision and Agreement are made out in Euros (€). The Project Plan may include a budget in local currency. However, the total sum needs to be converted into Euros on the date of the signing of the Funding Decision and Agreement. The total value in Euros is the definite limit for the FLC grant. Some contingencies of about 5% of the total project costs can be included in the project budget to cover losses in local currency due to exchange variations. If the local currency value changes, the changes need to be taken into account so that the final expenditure does not exceed the value defined in Euros. This is a very important issue. In order to avoid difficulties, the local expenditure needs to be converted to Euros regularly.

The payment schedule is defined in the Agreement. Payments are usually made in two or three instalments. The Mission makes the payments on the bank account of the partner organization in Euros. Payments are never made in cash, or on a private bank account.

New payments are made after acceptable reporting on the previous instalments is made. The reporting schedule is usually made so that a report is expected some two months before the next payment. The report then covers the actual disbursements at the time of preparing the report. The Final Report at the end of the project includes the existing balance and also a report on the total payments during the project. If the partner organization has provided a certified Audit Report as a demonstration of the soundness of its bookkeeping, it does not need to include original receipts in the reports. However, a report should include a detailed list of costs, compared against the final Project Plan. As a general rule, the final payment can be made only against an acceptable Final Report and the final audit.

Local Contributions

The partner agency and beneficiaries can make local contributions in cash, in kind or as work contributions. Local contributions (apart from work contributions) are not necessary. However, when projects are selected for financing, a priority is given to projects where the partner agency and beneficiaries show commitment through local contributions.

Local contributions are reported separately in the Progress Reports and the Final Report.

Procurement

Procurement is usually made on the basis of local legislation. The procurement of goods and services the value of which exceeds 15.000€ needs to be made on the basis of competitive bidding, as defined in Finnish legislation. However, an FLC project very seldom needs procurement this expensive. Detailed conditions for procurement are defined in the Agreement.

Core Financing

The FLC projects are, as a rule, not meant to cover expenditure of the partner organization.

The Project Plan and budget may include two kinds of "general" expenditure items: staff training and the direct costs related to the strategic planning of the organization. Even these tasks need to be justified from the perspective of the project level requirements and thus costs linked to the project to be financed from the FLCs.

Administrative Costs

An FLC organization can use max 10% for administration. Administration should have its own budget line so that it is clear what costs can be included in it. The project budget may include expenditure on financial management and reporting which are marked as tasks of specific persons.

The project budget may also include auditing costs.

Employment of Personnel

If the organization does not have an employee to whom a given project task could be assigned, one could be hired temporarily for the purposes of the project. In such a case, the Project Plan should include a description on how the recruitment is done. The price range should be given in advance for the Embassy's approval. Depending on the scope of the work, the payments related to personnel are counted in working days, working weeks or working months.

Daily allowances are acceptable for special assignments according to local regulations, and basically for tasks requiring extensive travel.

Co-financing

The Embassy of Finland can co-finance a project with another agency if this is specifically needed for the achievement of the FLC Programme's outcomes. Co-financing arrangements need to fulfil specific requirements related to the transparency of project planning, reporting and auditing. Co-financing arrangements are tailored case by case.

The Embassy of Finland cannot grant FLC funding to Funds, which then allocates financing onwards to other organizations.

Progress and Final Reports

The Agreement defines how often the partner organization needs to provide a report. Usually a Progress Report is expected in the middle of the project and a Final Report at the end of the project. The reports are signed by an authorized representative of the partner organization.

The Final Report describes the whole project, including results achieved, resources utilized and lessons learned.

A model / format for the minimum reporting requirements is available from the Embassy. These reporting requirements can be adjusted taking into consideration the capacity of the organization and the scope of the project. The Mission's model checklists for monitoring Progress Reports and assessing the Final Report can be used by an FLC Partner as questionnaires that are attached to the Report.

Annual Audit

An annual audit should be conducted on all projects, which receive annual payments exceeding 20.000€. Annual auditing is recommended also for smaller projects. The partner organization may commission a project audit separately or as a part of the organization's own full audit. If this does not take place, or if the Embassy perceives the auditing as unsatisfactory, the Mission may commission an audit on its own.

In the Agreement, the Embassy reserves the right to conduct an audit on any project it deems necessary.

Corruption Prevention

The Embassy monitors the project through reports, visits and audits. If there are signs of a misuse of funds or possible corruption, the Embassy may suspend or terminate financing and launch a legal procedure for clarifying the issue. Finland's policy against corruption is very strict. A Code of Ethics is part off all Funding Decisions.

Corruption prevention can be included into the project layout from the outset. Corruption prevention activities, including improvement in financial management capacities and procedures, are useful elements of an FLC project.