

Terms and Conditions for Companies' R&D Projects

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1. Funding conditions

Research and development funding granted by Tekes (Finnish Funding Agency for Technology and Innovation) is intended for Finnish-based and registered companies and other organisations. All project-related expenditure shall be entered in the recipient's accounts.

2. Scope and publicity

These terms and conditions shall apply to research funding and loans (hereinafter funding) granted by Tekes by virtue of the Act of Discretionary Government Transfers (668/2001), the Act on State Lending and State Guarantees (449/1988) and Government Decree on Research, Development and Innovation Funding (298/2008). These terms and conditions have been laid down by virtue of Section 11(4) of the Act on Discretionary Government Transfers and Section 3 of the Act on State Lending and State Guarantees.

The names of recipients and the value of funding granted and remitted per recipient shall be public information.

3. Project duration

The project duration shall be defined in the research funding decision. In the event of a delay, the recipient may submit a freely formulated extension request. Any request shall be submitted prior to the reporting deadlines set out in the funding decision. An extension may be granted if continuation is warranted and funding remains valid.

4. Expenditure monitoring

The funding recipient shall make arrangements for expenditure and working hours monitoring. An account, cost object, project code or other identifier must be created to allow expenditure resulting from development activities as set out in the funding decision to be itemised and verified against project accounting records and cost statement. Working time monitoring must be arranged as set out under section 5.2.1 of this appendix.

5. Eligible costs

5.1 General principles

Costs regarded as eligible include all expenditure caused by the project during the approved project duration that are included in the project accounting records, based on a net amount and not liable for value added tax (VAT). VAT shall be deemed as eligible in the event that the recipient is not subject to VAT or the costs arise through VAT exempt activity and where any VAT is actually paid by the customer.

Cost statements must be based on corresponding payment records. However, the following shall be exempt:

- a) Expenditure not impacting on cash flow
- b) Calculatory costs allocated to the project

Tekes may at its discretion allow certain cost statement items to be based on unit costs calculated using the funding recipient's own expenditure records. This arrangement shall be agreed on a project-by-project basis. If deemed necessary, Tekes, or any third party authorised by Tekes shall be entitled to verify the reliability of any calculating methods used. Alternatively, Tekes may require a statement on such reliability to be submitted by an independent chartered auditor.

All expenditure must be paid prior to being declared to Tekes.

All expenditure allocated to the project relating to an order placed prior to the commencement of the project is eligible only where a project-specific cancellation clause is in place.

If requested, the funding recipient shall provide any information required for cost monitoring purposes, including receipts, itemised invoices and purchasing criteria.

Tekes shall be entitled to refuse approval of expenditure presented by the funding recipient where it is probable that the costs are not related to the project or the costs are disproportionate to the results obtained.

Eligible costs must be related to research, development and innovation activity. For example production, marketing and sales expenditure (including travel, brochures, advertising, fairs and exhibitions, trademarks and entertainment expenses) shall not be deemed eligible.

5.2 Eligible project costs

Tekes accepts as project costs personnel costs, other direct costs caused by the project and overheads.

Cost item-specific limits for eligible costs are set out in the appendix to the funding decision. The limits may be exceeded only with separate authorisation from Tekes.

5.2.1 Actually paid salaries

Working hours monitoring and verification

Salaries which are subject to withholding tax and are actually paid for effective working hours (maximum 11 months/year) to persons who have contributed to the project shall be deemed eligible costs. Project-related working hours only shall be stated to Tekes. A breakdown of the employee's total working hours must be provided upon request. The salaries stated must be based on hourly working time monitoring. The hours must be systematically recorded each week and broken down to each working day, and verified at least once a month unless an alternative monitoring arrangement has been approved by Tekes.

Monitoring records must be retained for a period of five years from project completion.

Project salaries

Salaries stated to Tekes may not significantly differ from wage and salary levels paid to the employees for equivalent work carried out prior to project commencement. Project salaries must be equivalent in value to salaries paid for other equivalent work carried out for the funding recipient during the project period. Tekes may approve higher salary costs where a higher salary is paid to employees seconded abroad for the purpose of the project or if a higher level of remuneration is required in order for a new member of staff to be hired for the purpose of the project.

The funding recipient must notify Tekes if performance-related and/or other exceptional salary components are included in the salaries stated to Tekes.

If the remuneration paid is classed as income from independent services and not as wage or salary it must be declared to Tekes under the Purchased services from SMEs cost item.

Managerial and administrative personnel's salary costs are classed as overheads. Such salaries may be exceptionally admitted as direct costs where the work carried out is directly related to the R&D project. A breakdown of managerial and administrative staff's total working hours must also be provided upon request.

Salaries for which the funding recipient receives subsidies paid by the employment authorities shall not be considered eligible project costs.

5.2.2 Indirect personnel costs

Indirect personnel costs are defined as indirect salary costs (including holiday pay, sick pay, holiday bonus), social security payments and other personnel costs. A percentage of actually paid, project-approved salaries based on effective working hours set out in the project budget may be eligible as indirect personnel costs. However, Tekes reserves the right to verify all indirect personnel costs. In such instance, funding will be made available on the basis of actual indirect personnel costs where these are less than the amount set out in the project budget. Indirect personnel costs shall be calculated using the indirect personnel cost calculation form available on the Tekes website.

Tekes shall be entitled to intervene in eligible indirect personnel costs arising from atypical employment arrangements as these are not liable for the same indirect personnel costs as the conventional arrangements. Atypical employment arrangements are owner managed businesses (businesses with a minimum 50 per cent stake owned by single individual or family) and employees seconded or based outside of Finland. Such salaries charged to the project must be declared in the cost statement (Appendix 3B) by the recipient.

5.2.3 Overhead costs

Costs eligible as project overheads shall consist of a percentage of the total amount of project salary and indirect personnel costs as set out in the project budget. However, Tekes reserves the right to verify overhead cost percentages and funding will be made available on the basis of actual overhead costs if these are found to be less than the figure set out in the project budget. The overhead cost rate is calculated using the overhead calculation form available on the Tekes website.

Costs of overhead type shall not be eligible under other cost categories. These include IT, office and facilities costs and related depreciations as well as annual patent costs. Managerial and administrative personnel's salary costs shall be deemed overhead costs unless they have been specifically approved as direct costs in the project plan.

5.2.4 Travel costs

Travel costs may be eligible in accordance with the Decision of the National Board of Taxes on the compensation for travel expenses to be considered exempt from tax issued in the year in question.

5.2.5 Material and supplies costs

Material and supplies costs based on procurement from external suppliers shall be eligible as specified in the invoice. Internal material and supplies costs shall be eligible at cost price.

5.2.6 Machinery and equipment costs

Where the use life of machinery and equipment and computer programmes and other licences mainly pertaining to the project is less than three years, the project-related part of the purchase price may be accepted as machinery and equipment costs. Other acquisitions may be accepted as depreciations.

Fixed assets acquired through a part payment agreement concluded in accordance with the Hire Purchase Act or equivalent finance agreement may be eligible where the value of instalments paid is equivalent to the value of Tekes funding's share of the acquisition. In such instances the goods must be in possession of the funding recipient. Any finance, administration, insurance, repair, maintenance or equivalent costs arising from acquisitions financed through a part payment agreement shall not be eligible for Tekes funding.

5.2.7 Depreciations and rental costs

Depreciations of machinery, if any, shall be eligible when they are based on planned depreciations in the bookkeeping of the recipient, provided that no national or EU subsidies have been received for the purpose of purchasing the relevant assets.

Depreciation and rental costs of machinery and equipment are eligible in so far as they are used for the purposes of the project.

The costs of rental equivalent to the purchase of fixed assets and arisen during the approved project period may be eligible up to the value of equivalent purchase costs. Other rental costs (administrative, finance, insurance, repair and other equivalent expenditure) shall not be eligible. If the above costs cannot be itemised, up to 50 per cent of the total rental cost over the entire rental agreement period may be eligible.

The above machinery and equipment depreciation and rental cost terms and conditions also apply to R&D facilities costs, where acquiring of these is essential to the project.

5.2.8 Purchased services

Planning and research services and reports purchased externally shall be eligible as invoiced.

Project-related information acquisition, patent application, licence acquisition, training, project accounting and other equivalent costs may be included under material and supplies or purchased services. Large enterprises shall not be eligible to claim patent-related costs. Large enterprises are defined as enterprises that remain outside the scope of the definition of a SME contained in European Commission recommendation 2003/361/EC.

Donations and awards shall not be eligible as project costs.

Services purchased from SMEs

For the purposes hereof, an SME is defined as a Finnish enterprise with less than 250 employees.

Services purchased from research organisations

For the purposes hereof, a research organisation is defined as any Finnish university, university of applied sciences or public research institution.

Purchases from concern and affiliated companies*General principles*

Uncovered sales transacted with concern and affiliated companies shall be eligible. The seller must declare the cost of such sales using Appendix 3B. The costs shall be approved on the same basis as costs incurred by the funding recipient. However, a fixed rate calculated on the basis of the seller's staff numbers shall be used to calculate overhead rates.

The seller's project accounting and working time monitoring procedures must comply with the provisions laid out in these terms and conditions. The seller's cost statement must include a declaration from the accountable project leader signed by an authorised signatory. The final report must include a report from a chartered auditor.

An affiliated company is defined as a non-subsidiary enterprise at least 20 per cent of whose share or other equity is directly or indirectly owned or controlled by the funding recipient, or any other enterprise related to the enterprise in question by means of any other shared interest. Tekes may, at its discretion, deem a shared interest to be invalid regardless of the above conditions being met.

Purchases from foreign concern and affiliated companies and costs arising in an overseas office

Tekes may deem eligible purchases from foreign *concern and affiliated companies* and costs arising *in an overseas office*. This must be specified in the special terms and conditions to the funding decision. The acceptance of these costs differs from the terms and conditions applied to purchases from domestic *concern and affiliated companies* as follows:

- Only direct project costs, excluding personnel side costs, may be accepted as grounds for funding
- Exchange rates as at the date of payment shall be applied to invoices submitted in a foreign currency
- A statement from a chartered external auditor appointed by the foreign enterprise confirming that all stated costs are project-related accounting costs must be included in the final statement.

The cost statement and auditor's statement must, where required, be written in the Finnish or Swedish language or a Finnish or Swedish language translation must be provided.

Services purchased from other enterprises/ organisations

Purchases from organisations other than those specified above are to be declared in this cost category.

Services purchased in parallel projects

Invoices issued between parties involved in a parallel project shall not be eligible. A parallel project is defined as a project where more than one funding recipient is working on a joint research and development plan at their own risk and in a non-subcontracted capacity. A separate funding decision is in place for each funding recipient.

5.3 Private funding in public research projects

Participation fees paid by the funding recipient for a Tekes-funded project carried out in a research organisation are not eligible cost items.

5.4 Consideration of income

Project income shall not as a rule be considered a cost-reducing factor. However, where under the duration of the project, the enterprise receives an income from the sale of a prototype, demonstration project or results of experimental production, it must report such income to Tekes without delay. If this income is deemed to be significant, it shall be considered a cost-reducing

factor. Any eventual overpayment shall be calculated on the basis of funding already remitted and the amended cost statement and must be returned within six months of the date of sale.

Tekes may deduct income that has arisen immediately after the conclusion of the project from the project costs, where it is apparent that the income is generated through the project costs.

Any overpayment shall be allocated to grants and loans in proportion to the funding decision.

6. Other public funding to the project

The cost statement must declare project's any other source of public funding including funding from the government, a municipality or other public organisation or foundation. Funding from the European Community or other European Union source must also be declared.

The funding total from Tekes and any other public source must not exceed the maximum aid intensity set for the project. Where necessary, Tekes will reduce its contribution to ensure that the maximum aid intensity is not exceeded.

Project purchases where aid from Tekes and another public body contributes to more than half the total cost, must comply with all provisions concerning public procurement and must therefore as a rule undergo a competitive tendering process. Aid for purchases that do not comply with the Act on Public Contracts must not exceed 50 per cent.

7. Project reporting to Tekes

The payment of the funding is subject to the recipient providing Tekes with correct and sufficient information in accordance with the funding decision and these terms and conditions.

The reporting schedule is set out in the funding decision.

7.1 Content report

The interim and final reports must contain a report on the progress made on the project signed by the accountable project leader (Appendix 3C).

7.2 Cost statement

The funding recipient shall maintain a record of all project expenditure. For this purpose, the funding recipient may use a dedicated account, cost object, project number or other identifier that allows all costs arising from the development activity set out in the funding decision to be itemised and their connection to the accounts of the recipient to be verified. By accepting the funding decision and submitting the funding terms and conditions acceptance template, the funding recipient undertakes to arrange the project accounting procedures as set out above.

The cost statement must account for the actual costs for the current accounting period as well as the cumulative total costs from the beginning of the project itemised by cost category. All realised project costs must be reported in full. All costs deemed provisionally eligible on the basis of the interim report shall be re-considered in conjunction with the final report and cost statement. No additional costs are to be presented following approval of the final cost statement.

A statement from an accountable project leader shall be provided confirming that all costs presented as part of the cost statement result from the project and are allocated to the project in accordance with these terms and conditions (Appendix 3B, page 3).

7.3 Auditor's statement

A formal statement from an outside chartered auditor (auditor's statement) covering the total duration of the project shall be provided in connection with the final report as set out in Annex 3B, page 4.

A minimum of 50 per cent of the total stated costs must be audited in each cost category. The audit is to consider, in particular, the implementation and reliability of the project accounting and working time monitoring procedures as well as audit trail continuity. Salary remittances must be verified on the basis of information submitted under the "Total salaries paid during reporting period" column found on page 2 of the cost statement template. The audit report need not comment on indirect personnel side costs and overhead costs or whether costs have been submitted as net amounts.

Tekes reserves the right to submit the audit report to other authorities for the purpose of funding monitoring.

7.4 Other information to be submitted in conjunction with report

The funding recipient shall provide all project-related information as requested by Tekes and ensure that Tekes has at its disposal the latest accounts of the recipient, including audit report.

7.5 Follow-up reporting

Tekes shall continue to monitor the impacts of the funding provided even after project completion. When requested within five years of project completion, the funding recipient must provide data on how all plans and forecasts presented during funding reporting and project implementation have realized as well as a report on how technology developed during the course of the project has been utilised. In addition, Tekes shall be entitled to access the funding recipient's annual accounts for a period of five years as of the first annual accounts filed following the completion of the project and commission an analysis of such accounts from a third party public finance provider.

8. Payment

Payment shall be made in accordance with progress made on the project and is subject to reporting. The amount payable is in the funding decision specified percentage of the eligible costs accrued during any given accounting period.

The first instalment of a loan may be paid in advance. The final instalment, amounting to 20 per cent of the total loan capital, shall be paid only after approval of the final report provided that the eligible project costs enable such payment to be made. Where the final cost statement shows that the loan amount, including the advance, exceeds the amount payable on the basis of project costs, the funding recipient shall refund the excess. Tekes is entitled to withhold payment of the full loan amount also in the case of interim reporting if project costs are shown not to accrue at the rate envisaged.

The final instalment of the grant, amounting to 10 per cent of the grant total, shall be paid following approval of the final report, subject to sufficient eligible costs.

Tekes shall pay the funding to a bank account designated by the funding recipient. The notification must be signed by an authorised signatory.

Tekes has appointed the State Treasury to administer the loan and related payment arrangements on its behalf. The borrower must comply with the terms and conditions set out in the bond issued by the State Treasury.

An application for the final funding instalment may be lodged with Tekes in conjunction with the final report and statement. The loan is to be drawn at the State Treasury a maximum of six months from the payment decision letter issued following the final report and statement.

9. Changes to project implementation

In the event that the project deviates from the project plan, the funding recipient must apply to Tekes in advance for permission to:

- Amend the project plan
- Amend cost categories
- Amend project schedule
- Adjust report deadline
- Appoint new accountable project leader
- Amend bank details

The recipient shall, without delay, inform Tekes in writing of changes to key staff or other material changes affecting the project.

Requests for authorisation are to be sent by e-mail to kirjaamo@tekes.fi or by post to Tekes, Kirjaamo, PL69, FI-00100 Helsinki, Finland.

10. Project transfer, sale of business, results transfer and funding recipient reorganisation

The transfer of the funding decision to a third party is subject to written authorisation by Tekes. Prior to the transfer, the original recipient must provide a report and financial statement on their share of the project.

The funding recipient must secure written authorisation from Tekes, in the event of:

1. Selling, giving as security or otherwise assigning business activity resulting from the project or part thereof;
2. Selling, giving as security or otherwise assigning intellectual property or other rights resulting from the project
3. Transferring its operations abroad
4. Undertaking other changes or reorganisation activities (including merger, division or material change of ownership), which may undermine the realisation of the desired project outcomes.

Authorisation from Tekes as set out above is not required where the licensing of user and concession rights is a material feature of the business activity as originally sought by the funding recipient.

Where such activities subject to licence are carried out more than five years after the last funding instalment was paid out or where the transfer or assignment takes place within the common European market, no authorisation from Tekes shall be required. In the event that the funding has been granted as a loan, authorisation from Tekes is required until such a time as the principal and interest have been settled in full, also where such activity takes place within the common European market.

11. Amendments to lending terms

In the event of significant delays to the commercialisation of the project outcomes, the loan term may be extended. In exceptional circumstances the term may be extended to a maximum of twenty years. The grace period may not exceed ten years. The principal and interest may be converted into a capital loan as set out under Chapter 12 of the Limited Liability Companies Act (624/2006). In the event of the project not generating commercially viable business activity, the borrower may in exceptional circumstances be exempted from principal and interest repayment.

Changes to lending terms must remain within the maximum aid intensity as set out in the relevant government decree. In cases where the funding contribution is less than or equal to the maximum aid intensity, the full principal and interest may be waived.

Where the funding recipient has neglected its repayments, the principal and interest may be waived in exceptional circumstances only.

A loan cannot be extended, waived or converted solely on the grounds of the desired project outcomes declared by the funding recipient and set out in the funding decision not having been realised.

In the event that the provisions in this section differ from the provisions on non-recovery of loans granted by Tekes set out in the annual state budget of the year in which the loan was granted the budget provisions shall be observed in this aspect.

12. Official project control

The funding recipient must submit to Tekes all correct and sufficient information for the purpose of supervising project implementation and compliance with the terms and conditions of the funding decision.

Tekes, the European Commission and the Court of Auditors shall be entitled to audit the recipient's finances and operations as required by the payment of the funding and supervision of its use. When funding has been granted as laid down in section 7(2) of the Act on Discretionary Government Transfers to be used in a project of a party other than that of the recipient, Tekes is entitled to audit, as needed, the finances and operations of the party engaged in the activity or project for which the funding was granted.

Tekes may grant another authority or an outside chartered auditor the authority to carry out the audit referred to in the paragraph above. Third party experts may assist in audits at Tekes' request.

The right to audit shall remain in force for five years from the completion of the project. All project documentation and other material subject to audit and scrutiny must be stored for the same minimum period. The funding recipient must make available to the auditor, free of charge, any such information and assistance as may be required.

The auditors are entitled to seize any material necessary for the purposes of the audit. A record must be made of the seizure of material during an audit. The record must state the purpose of seizing the material and indicate what has been seized. Seized material must be returned without delay when no longer needed for the audit.

Auditors shall be entitled to have access, to the extent warranted by the audit, to the business, storage and other such premises used in the practice of a profession or in business and other areas in the possession or use of the recipient, which have a bearing on the granting of the funding and supervision of its use. Audits may not be carried out in premises covered by domestic peace.

13. Interruption of payment

Tekes may decide temporarily to interrupt the payment of funding if:

1. Grounds exist to suspect that the funding recipient is not observing its duty to provide information or its use of funding is in breach of the funding decision;
2. The grounds on which the funding was granted have essentially changed. Such changes include deviation from the project plan without Tekes' authorisation, a significant deterioration in the funding recipient's finances relative to the development anticipated, a complete loss of recipient's own capital, tax debts and payment defaults related to Tekes loans; or if
3. The interruption of payment is required under European Union legislation.

If the grounds for the interruption are not remedied within the time specified in the decision to interrupt, Tekes shall be entitled to discontinue funding and to claw-back funding already paid or part thereof.

14. Repayment of funding

The recipient shall be obliged to repay without delay any funding or part thereof received through error, in excess or manifestly without cause. Amounts of less than EUR10 shall not be returned.

The funding recipient shall be responsible to return all funding paid in the event of being found to be acting without authorisation from Tekes in a manner set out under Section 10 above or materially deviating from the project plan.

15. Claw-back of funding

15.1. Statutory claw-back

Tekes shall issue a decision ordering the discontinuation of the payment of funding and the claw-back of funding already paid if the recipient has:

1. Neglected to repay funding or part thereof which under Section 14 of these terms and conditions must be repaid;
2. Used the funding for a purpose essentially different from that for which it was granted;
3. Provided Tekes with false or misleading information in a matter that was critical to the granting of the funding, its amount or terms, or concealed such information; or
4. Otherwise essentially violated provisions concerning the use of funding or terms included in the funding decision in a manner comparable to paragraphs 1–3.

15.2 Discretionary claw-back

Tekes may order the discontinuation of the payment of funding and the claw back of funding or part thereof already paid, if:

1. False or misleading information has been provided for the purpose of payment or supervision of funding, or information has been concealed or the provision of the required information has been refused;
2. The funding has not been used in compliance with the funding decision;
3. The recipient has refused to assist with the project audit
4. The recipient has terminated the project for which the funding was granted, reduced or altered it substantially or assigned it to another party;
5. The recipient has been subjected to recovery proceedings, placed into liquidation or bankruptcy, or made subject to reorganisation proceedings
6. The condition of granting of funding to large enterprises based on the Section 9 of the relevant Governmental Decree is materially amended or the Section 8 condition on aid-intensity bonuses is not met
7. The legislation of the European Union requires that the funding be clawed back; or
8. The recipient otherwise acts in a manner comparable to the matters in this Section.

15.3 Interest

The recipient must pay an annual interest in accordance with Section 3(2) of the Interest Act (633/1982) plus 3 percentage points on the amount to be repaid or clawed back from the day the funding was paid.

15.4 Penalty interest

If the sum clawed back is not paid by the due date set by Tekes, an annual penalty interest shall be payable on the sum in accordance with the interest rate referred to in Section 4(1) of the Interest Act.

15.5 Moderation of grant's claw-back

Tekes may, in cases of repayment or claw-back of grant, decide that a part of the sum to be repaid or clawed back, and any interest or penalty interest on it, will not be clawed back if repayment in full is unreasonable in the light of the financial standing and circumstances of the recipient or in relation to the type of the property acquired with the grant or in relation to the procedure on which repayment or claw-back is based or because of a change in circumstances.

For an extremely pressing cause, Tekes may decide not to collect the sum to be repaid or clawed back, or the interest or penalty interest on it at all.

15.6 Claw-back time limitation

The funding and interest or penalty interest on it may not be clawed back if ten years have lapsed since the payment of the final instalment of the funding.

16. Tekes' right of offsetting

A grant including interest to be repaid or clawed back, subject to this funding decision, may be collected by deducting it from any other Tekes grant to be paid to the same funding recipient. The State Treasury shall be entitled to exercise the same right of offsetting in relation to loans granted by Tekes.

17. Misuses

If, in connection with the project, there is reason to suspect that the recipient or a person acting on its behalf has committed a criminal offence under the Penal Code (19.12.1889), with Tekes as the injured party, Tekes shall take action on the matter.

18. Order of application

In the event of a conflict in the funding decision and its appendices, the following order of interpretation shall be applied:

- 1) The funding decision and any special terms and conditions thereof
- 2) These terms and conditions
- 3) The project budget
- 4) The project plan
- 5) The funding application and appendices thereto
- 6) Any other documents relevant to the funding decision.

This English translation of the General Terms and Conditions for private sector R&D projects is provided for guidance only. Tekes shall not guarantee the accuracy of the translated text and for interpretation purposes, the Finnish-language version shall apply.

APPENDICES

Appendix 3A	Funding decision and funding decision terms and conditions acceptance template
Appendix 3B	Cost statement template
Appendix 3C	Research and development report template
Appendices 3D-3H	The applicability of appendices 3D-3H is set out under the Funding decision specific conditions section in the funding decision.