

NB: Unofficial translation

Ministry of Agriculture and Forestry

## **Act on Support for Rural Development**

**(1443/2006)**

**(Amendments up to 1478/2007 included)**

### **Chapter 1 - General provisions**

#### *Section 1 – Objectives of the Act*

(1) The objectives of this Act are to diversify the economic activities in the rural areas, improve the operating conditions and competitiveness of rural enterprises, promote the competitiveness of agricultural products and improve the quality of life of rural residents, in compliance with the principles of sustainable development.

#### *Section 2 – Scope of application*

(1) This Act applies to support granted for rural development that is funded from the Community and corresponding national funds or entirely from national funds.

(2) However, this Act does not apply to support or compensation granted to an operator engaged in agriculture for agricultural production activity, giving up agriculture or improving the structure of agriculture or to support funded under the structural funds of the European Community or the European Fisheries Fund. Further, the Act does not apply to national rural research and development projects that are funded fully from national funds and that are not based on any programme.

(3) The provisions of the Act on natural handicap and agri-environment payments and certain other support payments relating to improving the state of the environment and rural areas (1440/2006) apply to support granted for promoting the sustainable use of natural resources in rural areas, improving the state of the environment and welfare of production animals and compensating for damages to agriculture due to adverse natural conditions. The provisions on the financing of sustainable forestry laid down in other law or under it apply to the support to promote the sustainable use of forestry land. The provisions of section 13 of the Skolt Act (253/1995) apply to support granted for the development of services in the Skolt area.

#### *Section 3 – Relationship to the legislation of the European Community*

(1) This Act applies to the granting, payment, follow-up, auditing and recovery of support co-funded by the European Community unless otherwise provided in the legislation of the European Community.

#### *Section 4 – Definitions*

(1) In this Act:

- 1) *agriculture* means arable farming, animal husbandry or other keeping of production animals, greenhouse production, horticultural and nursery production, fur farming, horse husbandry, reindeer husbandry, apiculture, professional hunting, collecting of wild berries or mushrooms or production of other products listed in Annex I to the Treaty Establishing the European Community;
- 2) *farm* means an operationally and economically independent production unit run by a farmer which consists of one or several real estates of parts of real estate or a production building and its site, used for practising agriculture, and managed as a single entity on the basis of ownership or lease;
- 3) *enterprise* means a natural person or corporation that practises or undertakes to practice an economic activity as a livelihood; however, a public enterprise where the State, municipality or other corporation governed by public law exercises direct or indirect authority is not considered as an enterprise;
- 4) *agricultural product* means a product listed in Annex I to the Treaty Establishing the European Community, excluding fisheries products;
- 5) *primary processing and placing on the market of an agricultural product* means processing which yields an output that is still an agricultural product as well as placing on the market of the product; however, operations which take place on the farm and which are necessary for preparing the product for first sale or first sale by the producer are not considered as operations referred to above unless these are practised in separate premises intended for this purpose; (28.12.2007/1478)
- (6) *village community* means a community composed of residents of a geographically limited area which in terms of its location and functions constitutes an entity of its own;
- 7) *project* means an activity with limited duration which is not intended for producing direct economic benefit to the beneficiary;
- 8) *supported measure* means an activity or project related to starting, expanding or developing entrepreneurial activity for which the support has been applied for or to which it was granted;
- 9) *investment* means the building, extension, renovation or acquisition of a building, structure or construction as well as other acquisition of material or immaterial fixed assets; (28.12.2007/1478)
- 10) *State funding* means funds allocated to the administrative sector of the Ministry of Agriculture and Forestry for support for rural development and funds allocated in the allocation table of the Development Fund of Agriculture and Forestry
- 11) *other public funding* means funding from the municipal authority, other corporation governed by public law and public enterprises
- 12) *Community funding* means funds from the European Agricultural Fund for Rural Development or other funding of the European Community allocated for support referred to in this Act;
- 13) *public funding* means State funding and other public funding as well as Community funding if the support is partly funded from the funds of the European Community;

14) *private funding* means funding from a natural person or corporation governed by private law or other performance whose value can be defined in monetary terms;

15) *total funding* means public and private funding;

16) *support* means State funding or State and Community funding which is granted as a subsidy;

17) *de minimis support* means aid exempted from the notification procedure provided for in Article 88 of the Treaty Establishing the European Community under Article 2 of Council Regulation (EC) No 994/98 on the application of Articles 92 and 93 of the Treaty establishing the European Community to certain categories of horizontal State aid;

18) *Management Act* means the Act on the management of programmes related to rural development (532/2006):

19) *programme* means a programme approved under section 7 of the Management Act, funded from the European Community or national funds or entirely from national funds;

20) *local action group* means a local action group referred to in section 21 of the Management Act approved by the Ministry of Agriculture and Forestry;

21) *local plan* means a local rural development plan referred to in section 6 of the Management Act implemented in the territory of a local action group; and

22) *financial quota* of the local action group means the funding allocated by the Ministry of Agriculture and Forestry to the implementation of the plan of a local action group referred to in section 6 of the Management Act.

## Chapter 2 – **General preconditions for granting the support**

### Section 5 – *Preconditions concerning the beneficiary*

(1) The beneficiary may be a legal person governed by public or private law or a natural person.

(2) A natural person must be at least 18 years but less than 63 years of age. The requirement concerning the age of the beneficiary must be fulfilled at the time when the application becomes pending;

### Section 6 – *Eligible activity*

(1) Support may be granted, as provided below in this Act, for

1) extending the activity of the farm outside agriculture;

2) starting or expanding the activity of an enterprise;

3) improving the production and quality of the products of an enterprise and internationalisation of the activity;

- 4) acquisition of expert services and training in support of the operating conditions and competitiveness of an enterprise and developing cooperation between enterprises;
- 5) improving knowledge and skills that serve rural development and organisation of the communication of information;
- 6) improving the residential environment of the village Community, promoting the joint activities and well-being of its residents and other similar activities that enhance the rural environment and the general welfare of the residents;
- 7) general development of the preconditions, diversification and competitiveness relating to economic activities in rural areas.

#### *Section 7 – Preconditions concerning a supported measure*

- (1) A precondition for granting the support is that the supported measure viewed as a whole promotes one or several of the objectives laid down in section 1. If the support is included in a programme referred to in section 7 of the Management Act, the support must also promote the objectives defined in the programme and the supported measure must be implemented in the area covered by the programme.
- (2) If the supported measure requires the acquisition of a permit from an authority, presenting such a permit is a precondition for granting the support.
- (3) A precondition for granting the support is that the support application has become pending before the supported measure is started.
- (4) Further provisions on presenting the permit and the time of starting the supported measure in different types of support are laid down by Government Decree

#### *Section 8 – Eligible costs of a supported measure*

- (1) Support may be granted for the necessary and reasonable costs due to a supported measure which have incurred after the support application became pending. In the case of costs due to building planning, however, support may be granted for costs incurred before the support application became pending.

#### *Section 9 – Transfer of support to another party for implementing a supported measure*

- (1) Unless otherwise provided below, part of the support may be transferred to another party for the implementation of a supported measure. In such a case a precondition for granting the support is that the transfer of the support is feasible as regards implementing the supported measure and the parties involved in implementing the measure fulfil the conditions for the beneficiary concerned. A further precondition is that the beneficiary ensures by agreement concluded with the other parties involved in implementing the measure that the preconditions for the granting and payment of the support are fulfilled and the conditions for the support are complied with. However, the beneficiary is accountable for the fulfilment of the preconditions and compliance with the conditions to the authority which grants the support.

#### *Section 10 – Preconditions concerning the funding and amount of support*

(1) A precondition for granting the support is that the necessary funding has been allocated in the State budget or in the allocation table of the Development Fund of Agriculture and Forestry.

(2) Support is granted as a percentage share of the eligible cost of a supported measure in accordance with the level of support. If the support does not cover all the eligible costs of the measure, the applicant must present an account that the costs are covered by means of other public funding or private funding. Besides a performance in monetary terms, work carried out free of charge or conveyance of a production input may be approved as private funding.

(3) Support may not be granted for the share public support in the eligible costs of a supported measure which exceeds the maximum amount of public support laid down in the legislation of the European Community. In this context public support means funding or other benefit which can be valued in monetary terms granted by the European Community, State or other corporation governed by public law. If the support relates to a programme, the amount of public funding included in the support may not exceed the maximum amount of public funding defined in the programme. (28.12.2007/1478)

(4) Further provisions on the levels and maximum amounts of different types of support within the limits of the funds referred to in the legislation of the European Community and subsection 1 are laid down by Government Decree. Further provisions on the use of work carried out free of charge or conveyance of a production input as private funding are also laid down by Government Decree.

### Chapter 3 – **Enterprise support**

#### Section 11 – *Beneficiary of enterprise support (28.12.2007/1478)*

(1) Enterprise support may be granted to:

1) an enterprise which participates in practising agriculture on a farm (*agricultural enterprise*);

2) an enterprise which employs less than 10 persons and whose turnover or balance sheet total is no more than 20 million euros (*microenterprise*); and

3) an enterprise which employs less than 250 persons and whose annual turnover is no more than 50 million euros or the balance sheet total is no more than 43 million euros (*SME*).

(2) Enterprise support may also be granted to a corporation governed by private or public law whose tasks or mission statement contain service production for enterprises (*development corporation*).

(3) Further provisions on the grounds to be used for assessing the size of an enterprise are issued by Government Decree.

#### Section 11 a – *Preconditions for the beneficiary of enterprise support (28.12.2007/1478)*

(1) Enterprise support may be granted to an enterprise which has a place of business in Finland and, when the support is based on a programme, in the area covered by the programme. The domicile of a corporate enterprise must be located in the territory of the European Community.

(2) Enterprise support may be granted to an enterprise which possesses the prerequisites for continuous profitable activity and sufficient professional skills in the entrepreneurial activity to be supported. A condition for granting the support is that the enterprise provides accounts of its economic position and sufficient professional skills.

(3) When enterprise support is granted to a corporate agricultural enterprise or microenterprise, a precondition for granting the support is that the decision-making authority in the corporation is held by one or several natural persons who fulfil the preconditions concerning the age and professional skills of the beneficiary and, in the case of an agricultural enterprise, concerning the practising of agriculture.

(4) Enterprise support may be granted to a development corporation which possesses sufficient economic and administrative prerequisites for implementing the supported measure. In such a case the enterprise receiving the support must fulfil the preconditions applied if the support were granted to an enterprise for activities referred to in section 6(1-4). A further precondition is that the development corporation ensures by agreement concluded with the enterprise that the preconditions for the granting the support are fulfilled and the conditions for the support are complied with.

(5) Further provisions on the grounds to be applied in assessing sufficient professional skills, economic position and decision-making authority are issued by Government Decree.

#### Section 12 – *Start-up support for enterprises*

(1) Start-up support for enterprises may be granted to an agricultural enterprise for extending its activity outside agriculture and for a microenterprise for starting up or expanding its activity.

(2) Start-up support may be granted for the costs due to hiring of labour corresponding to no more than two man-years. Support may, however, not be granted for the costs due to hiring the applicant.

(3) Start-up support may be granted for no more than two years. The support may not be transferred as referred to in section 9.

(4) Further provisions on the activity eligible for start-up support, duration of the support and eligible costs are issued by Government Decree.

#### Section 13 – *Investment support for enterprises*

(1) Investment support for enterprises may be granted to

1) an agricultural enterprise for extending its activity outside agriculture;

2) a microenterprise for an activity referred to in section 6(2 and 3); and

3) an SME for improving the productivity of entrepreneurial activity in primary processing and placing on the market, improving the quality of the products and internationalisation of the activity. (28.12.2007/1478)

(2) Support may be granted for the costs due to the investment. In the case of building investments support may be granted for the related planning costs. Land acquisition may be eligible only in connection with the acquisition of a building and its site. (28.12.2007/1478)

(3) A condition for granting investment support is that there is a market for the product of the entrepreneurial activity to be supported. The support may not be transferred as referred to in section 9.

(4) Further provisions on the activity eligible for investment support, preconditions for granting the support and eligible costs are issued by Government Decree.

#### Section 14 – *Development support for enterprises*

(1) Development support for enterprises may be granted to

1) an agricultural enterprise for extending its activity outside agriculture;

2) a microenterprise for an activity referred to in section 6(2 – 4); (28.12.2007/1478)

3) an SME for improving the productivity of entrepreneurial activity in primary processing and placing on the market, improving the quality of the products and internationalisation of the activity; and (28.12.2007/1478)

4) a development corporation for the production of services to enterprises necessary as regards an activity referred to in points 1 – 3. (28.12.2007/1478)

(2) Development support for enterprises may be granted for the costs due to development work and related planning. Support is not granted for investments used in the production activity.

(3) Further provisions on the activity eligible for development support and eligible costs are issued by Government Decree.

#### Section 15 – *Preconditions and restrictions for granting enterprise support*

(1) A precondition for granting enterprise support is that the support is expected to cause no more than minor impacts which may distort the competitiveness or functioning of the market.

(2) A precondition for granting enterprise support is that the support is necessary as regards the entrepreneurial activity concerned. A further precondition is that the applicant presents a plan concerning the activity to be supported. The plan must contain the objectives, actions necessary to attain these and implementation period and estimates concerning the profitability, total costs and total funding of the activity. A plan concerning building must also show the functioning and feasibility of the building investment and its compatibility with the environment.

(3) Enterprise support is not granted if, based on the application, the amount of start-up support or investment support would be no more than 1,000 euros and that of development support no more than 500 euros.

(4) Further provisions on the content of the plan concerning a measure to be supported are laid down by Government Decree.

(5) Provisions on the technical, economic, functional, safety and environmental considerations relating to a building investment of a measure supported under this Act may be issued by Decree of the Ministry of Agriculture and Forestry.

## Section 16 – *Application of the rules for State aid*

(1) When granting enterprise support, the provisions on the preconditions and restrictions for granting State aid referred to in Article 87 of the Treaty Establishing the European Community laid down in the regulations of the European Community or decisions of the Commission of the European Communities concerning the approval of State aid shall apply.

(2) If enterprise support is granted as de minimis support, a condition for granting the support is the applicant provides the authority granting the support with an account of the de minimis support already granted and paid to the applicant and that the amount of this support does not exceed the maximum amount of de minimis support laid down in the legislation of the European Community. If the object of the support is other than entrepreneurial activity of the applicant or support is transferred as referred to in section 9, a precondition for granting the support is that a similar account is provided for each enterprise which is the object of the support or participates in the implementation of the supported measure, and that the amount of support does not exceed the maximum amount of de minimis support in any of these enterprises. (28.12.2007/1478)

(3) Further provisions on the application of the legislation of the European Community concerning State aid to support referred to in this Act and preconditions for granting de minimis support are laid down by Government Decree. (28.12.2007/1478)

## Chapter 4 – **Project support**

### Section 17 – *Development project*

(1) Support for a development project may be granted to a corporation governed by public or private law or a foundation for an activity referred to in section 6(6 and 7). (28.12.2007/1478)

(2) Support for a development project may be granted for the costs due to development work and related planning. Support is not granted for costs due to an investment.

(3) Further provisions on the activity eligible for support for a development project, preconditions for granting the support and eligible costs are issued by Government Decree.

### Section 18 – *Training project*

(1) Support for a training project may be granted to a corporation governed by public or private law or a foundation for an activity referred to in section 6(5). However, support is not granted for professional training which leads to a degree.

(2) *Repealed 28.12.2007/1478*

(3) Support for a training project may be granted for the costs due to the planning and organisation of training and communication of information. Support is not granted for costs due to an investment.

(4) Further provisions on the activity eligible for support for a training project, preconditions for granting the support and eligible costs are issued by Government Decree.

### Section 19 – *Investment project of common interest*

(1) Support for an investment project may be granted to a corporation governed by public or private law or a foundation for an activity referred to in section 6(6). (28.12.2007/1478)

(2) Support may be granted for the costs due to the investment. In the case of building investments support may be granted for the related planning costs. Land acquisition may be eligible only in connection with the acquisition of a building and its site. (28.12.2007/1478)

(3) Further provisions on the activity eligible for support for an investment project, preconditions for granting the support and eligible costs are issued by Government Decree.

### Section 20 – *Coordination project*

(1) Support for a coordination project may be granted to a local action groups for an activity referred to in section 6(6). A precondition for granting the support is that a local action group compiles, using an open selection procedure, development and investment projects of common interest referred to in sections 17 and 19 implemented in its territory and coordinates and reconciles their implementation. Notwithstanding the provisions of section 9 concerning the preconditions for the transfer of support, support for a coordination projects may be transferred to a natural person. (28.12.2007/1478)

(2) Support for a coordination project may be granted for the costs due to the compilation and implementation of projects referred to in subsection 1 and to cooperation and exchange of experiences.

(3) Further provisions on the activity eligible for support for a cooperation project, preconditions for granting the support and eligible costs are issued by Government Decree

### Section 21 – *Preconditions and restrictions for granting project support*

(1) A precondition for granting project support is that the measure to be supported is essentially related to the tasks or mission statement of the applicant and the applicant has sufficient economic and administrative preconditions for its implementation.

(2) Project support may also be granted to a measure which is organised as a separate project as regards the regular activities of the applicant, with duration of no more than three years or, for special reason, no more than five years. A precondition for granting the support is that the applicant presents an implementation plan including the objectives of the measure and the actions necessary for their realisation as well as estimates for the implementation period, total costs and total funding. A project plan concerning building must also give an account of the functioning and feasibility of the project and its compatibility with the environment.

(3) A condition for granting project support is that the results of the project can be utilised widely. If support is granted for a measure due to which the support becomes State aid referred to in Article 87 of the Treaty Establishing the European Community, the provisions of section 16 on the preconditions and restrictions for granting State aid apply to granting the support. (28.12.2007/1478)

(4) Project support is not granted if, on the basis of the application, the amount of support would be less than 5,000 euros.

(5) Further provisions on the content of the project plan and the grounds to be used in the evaluation of the preconditions laid down in subsections 2 and 3 in different types of support are laid down by Government Decree.

(6) Provisions on the technical, economic, functional, safety and environmental considerations relating to a building investment of a measure supported under this Act may be issued by Decree of the Ministry of Agriculture and Forestry.

## Section 22 – *Steering group*

(1) A steering group may be appointed to support the implementation of the project if this is justified considering the extent and impacts of the project. The decision on appointing the steering group is made by the authority which grants the support. In addition to the authority which grants the support, other parties involved in the funding of the project as well as a sufficient number of experts in view of the extent of the project are represented in the steering group. The members of the steering group, except for the authority which granted the support, are nominated by the beneficiary.

(2) The task of the steering group is to steer the beneficiary in questions related to the content of the project and follow the implementation of the project. The responsibility for the project, however, rest with the beneficiary. The steering group does not participate in decision-making concerning the position of the beneficiary or funding of the project. The Administrative Procedure Act (434/2003), Language Act (423/2003) Sami Language Act (1086/2006) and Act on the Openness of Government Activities (621/1999) apply to the activity of the steering group. Provisions concerning the criminal liability of public officials apply to a member of the steering group. Provisions of the Tort Liability Act (412/1974) apply to the damages caused when managing the tasks laid down for the steering group.

Further provisions on appointing the steering groups and the procedures to be applied in this and the tasks of the steering group are issued by Government Decree.

## Chapter 5 – **Conditions for the support**

### Section 23 – *Implementation period of a measure (28.12.2007/1478)*

(1) A measure supported by enterprise support must be implemented in full within two years from granting the support. A shorter time period, however, may be set for implementing the measure if this is justified in terms of the implementation practice or nature of the business activity. If start-up aid is applied for in connection with investment support, the time period is calculated from the completion or implementation of the investment.

(2) A measure supported by project support must be implemented in full within the time period set as referred to in section 21(2).

(3) The Employment and Economic Development Centre may extend the time period by an application filed before the end of the period. There must be an acceptable reason for extending the time period. The time period may be extended twice by no more than one year at a time. The

implementation period of a measure referred to in subsection 2 above may, however, be no more than six years.

(3) Further provisions on the time period to be set for the implementation of a measure are issued by Government Decree.

#### Section 24 – *Conditions concerning the use of the support*

(1) The provisions of the legislation on public procurement apply to the acquisition of goods and services and contracting work. The beneficiary must present an account of the realisation of the procurement as required by the relevant legislation.

(2) The object of the investment carried out by means of the support may not be permanently or to a significant extent used for a purpose other than the entrepreneurial activity or development work for which the support was granted until five years have lapsed from the payment of the final instalment of the support. If the right of ownership or possession of the object of the investment is conveyed to another party before five years have lapsed from the payment of the final instalment of the support, the beneficiary must obtain a permit of the Employment and Economic Development Centre before the conveyance. A condition for granting the permit is that the conveyee fulfils the preconditions for granting the support and there are no essential changes to the nature of the entrepreneurial activity or development work for which the support was granted.

(3) Entrepreneurial activity for which support was granted may not be discontinued or significantly cut down until five years have lapsed from the payment of the final instalment of the support. If the right of ownership or possession of the entrepreneurial activity for which support was granted is conveyed to another party before five years have lapsed from the payment of the final instalment of the support, the beneficiary must obtain a permit of the Employment and Economic Development Centre before the conveyance. A condition for granting the permit is that the conveyee fulfils the preconditions for granting the support and there are no essential changes to the nature of the entrepreneurial activity for which the support was granted.

(4) The transfer of the object of investment and entrepreneurial activity for which the support was granted by inheritance or generation change is not considered as conveyance referred to in subsections 2 and 3 above.

#### Section 25 – *Bookkeeping obligation*

(1) The beneficiary must keep books on the supported measure. The bookkeeping must be arranged as part of the beneficiary's bookkeeping under the Accounting Act (1336/1997) so that the bookkeeping on the supported measure can be identified without difficulty and distinguished from the other bookkeeping.

(2) If the beneficiary is a person taxed under the Agricultural Income Tax (543/1967), the other accounting required from the beneficiary to carry out the taxation is considered sufficient bookkeeping on the supported measure. In this case the accounting must be arranged so that the costs of the supported measure can be identified without difficulty and distinguished from the other accounting.

(3) If the beneficiary is not otherwise obligated to bookkeeping, the bookkeeping concerning the supported measure must be arranged in compliance with the provisions of the Accounting Act, as appropriate.

(4) The beneficiary must preserve the bookkeeping data on the supported measure as laid down in Chapter 2, sections 9 and 10 of the Accounting Act. If the support concerned is included in a programme co-funded by the European Community, the data relating to the bookkeeping must be preserved for at least three years from the payment of the last instalment of the Community contribution by the Commission of the European Communities.

#### Section 26– *Obligation to give information and assistance*

(1) The beneficiary is obligated to give correct and sufficient information concerning the supported measure, its progress and use of the support to the authority which granted the support.

(2) The beneficiary must notify without delay of any changes concerning his or her position, activity or the supported measure which may have an impact on the preconditions of the payment of the support or which may lead to the recovery of the support.

(3) The beneficiary is obligated to assist the person or party carrying out an audit referred to in section 43 by providing, without compensation, the information necessary for carrying out the audit and accounts concerning the object of the audit as well as, where necessary, by presenting the object of the support.

### Chapter 5 – **Application for and granting of support**

#### Section 27 – *Communication on the application*

(1) The Employment and Economic Development Centre must communicate, to the extent that is considered appropriate, about the possibility to apply for the support, the application procedure to be followed, and the main preconditions and conditions for granting the support.

(2) A local action group must communicate on matters referred to in subsection 1 in its own territory in the case of support funded from the financial quota of the local action group.

#### Section 28 – *Support application*

(1) The support application must be made out in writing using a form established for this purpose. The application form must be signed. Documents and accounts necessary for assessing the preconditions for granting the support and a plan concerning the measure to be supported must be attached to the application.

(2) If the support is intended to be transferred, this must be declared in the application. The parties to which the support will be transferred must be specified in the application and the agreement referred to in section 9 must be presented. If the applicant is a development corporation, the agreement between the development corporation and the company which is the object of the support must be attached to the application. (28.12.2007/1478)

(3) The Finnish Agency for Rural Affairs issues further regulations on the forms to be used in support application, documents to be attached to the application and the way how the plan and accounts are to be presented.

#### *Section 29 – Application procedure*

(1) The support application must be submitted to the competent Employment and Economic Development Centre, unless otherwise provided below.

(2) The competent Employment and Economic Development Centre is the one in whose territory the supported measure is to be implemented. If the supported measure is to be implemented in the territory of more than one Employment and Economic Development Centre, the competent Employment and Economic Development Centre is the one in whose territory the main part of the measure is to be implemented.

(3) If the project has mainly national objectives, the competent Employment and Economic Development Centre is the one to which the Ministry of Agriculture and Forestry has allocated the funds for the funding of the national project

#### *Section 30 – Application for support from the financial quota of a local action group*

(1) When support is applied for from the financial quota of a local action group, the support application must be submitted to the competent local action group. The competent local action group is the one in whose territory the supported measure is implemented. If the supported measure is to be implemented in the territory of more than one local action group, the competent local action group is the one in whose territory the main part of the measure is to be implemented. The support application becomes pending when it has been submitted to the competent local action group.

(2) The competent local action group checks that the application fulfils the requirements set for the form of the support application and gives an opinion on the feasibility of granting the support as regards the objectives established in the local plan. If the supported measure is implemented in the territory of more than one local action group, the competent local action group must obtain a statement of the other action groups on the feasibility of granting the support and on reserving the necessary funding from the financial quota allocated to them. The local action group forwards the application and the statement to the competent Employment and Economic Development Centre.

(3) The procedure laid down in subsections 1 and 2 above is not applied if the applicant is a local action group.

(4) The Finnish Agency for Rural Affairs issues further regulations on the receipt of the application and the technical organisation of its processing, markings to be made to the application documents and their delivery to the Employment and Economic Development Centre.

#### *Section 31 – Assessment of the support application*

(1) Before making the decision on granting the support the Employment and Economic Development Centre may request an opinion from another authority regarding matters relating to the beneficiary and the supported measure, if this is necessary for the assessment of the preconditions for granting the support.

(2) Before granting enterprise support the Employment and Economic Development Centre may visit the enterprise to assess the preconditions for granting the support and the supported measure. Observations made during the visit to the enterprise must be recorded and they must be notified to the applicant. A visit to an enterprise may not be made to premises which are within the sphere of domiciliary peace. (28.12.2007/1478)

#### Section 32 – *Interrupting the granting of support*

(1) The Ministry of Agriculture and Forestry is entitled to interrupt the granting of support nationally or regionally if the funds necessary for funding the support are not available or this is required by the market situation or the legislation of the European Community.

(2) The granting of support may be interrupted for a specific time or until further notice. Before the interruption negotiations on the matter must be organised with the relevant producer and industrial organisations. The interruption must be communicated to an appropriate extent, and a notification on it must be published in the Official Journal.

#### Section 33 – *Granting of support*

(1) The Employment and Economic Development Centre makes the decision on granting the support. If the activity to be supported is to be implemented in the territory of more than one Employment and Economic Development Centre, the competent Employment and Economic Development Centre must obtain a statement of the other Employment and Economic Development Centres before granting the support. Support may be granted for an activity which takes place in the territory of another Employment and Economic Development Centre only if the relevant Employment and Economic Development Centre gives a favourable opinion on it.

(2) When granting support from the financial quota of a local action group the Employment and Economic Development Centre may derogate from the favourable opinion of the local action group if the granting of the support would violate the European Community or national legislation. Support may not be granted if the local action group does not give a favourable opinion on it.

(3) If the project concerned is a project referred to in section 29(3), the Employment and Economic Development Centre must obtain the opinion of the Ministry of Agriculture and Forestry before granting the support. Support may not be granted if the Ministry does not give a favourable opinion on it.

#### Section 34 – *Support decision*

(1) A support decision must include the amount of the support granted, conditions for the support laid down in this Act and the preconditions for the payment and recovery of the support. The decision must also include the conditions and preconditions laid down in the European Community legislation. The plan concerning the supported measure is approved by the decision.

### Chapter 7 – **Payment of support**

#### Section 35 – *Payment application*

(1) The payment application must be made out in writing using a form established for this purpose. The application form must be signed. Accounting documents and accounts necessary for the preconditions for the payment of the support must be attached to the application.

(2) The payment application must be submitted to the authority which granted the support, unless otherwise provided below. A reasonable time limit may be established for submitting the payment application, calculated from the date when the decision was made or, in the case of the last payment application concerning a supported measure, from the conclusion of the implementation of the measure.

(3) Further provisions on the time limit to be established for submitting a payment application may be laid down by Government Decree. Further regulations on the forms to be used for payment application are issued by the Finnish Agency for Rural Affairs.

#### *Section 36 – Processing of a payment application in a local action group*

(1) If support is granted from the financial quota of a local action group, the payment application must be submitted to the local action group referred to in section 30(2). The payment application becomes pending when it has been submitted to the competent local action group.

(2) The local action group checks that the application fulfils the requirements set for the form of the application and assesses, based on the application and its attachments, whether the supported measure has progressed in accordance with the plan approved by the support decision. Where necessary, the local action group requests the applicant to supplement the application. The local action group gives an opinion on the matters mentioned above and forwards this and the application to the Employment and Economic Development Centre which granted to support.

(3) The procedure laid down in subsections 1 and 2 above is not applied if the beneficiary is a local action group.

(4) The Finnish Agency for Rural Affairs issues further regulations on the receipt of the application and the technical organisation of its processing, markings to be made to the application documents and their delivery to the Employment and Economic Development Centre.

#### *Section 37 – Preconditions for the payment of support*

(1) A precondition for the payment of support is that the beneficiary has complied with the conditions for the support. In addition, a condition for the payment of support is that the expenditure incurred to the beneficiary is documented, final and verifiable. The beneficiary must present the documents and accounts concerning these preconditions.

(2) For the payment of the support the beneficiary must present an account that the costs are reasonable. If the purchase concerned is subject to the legislation on public procurement, an account of the compliance with the procedure required by this legislation is sufficient to show that the costs are reasonable. Otherwise the beneficiary must present an account that the costs are based on the usual price level.

(3) For the payment of support the beneficiary must present an account that the costs are directed to the supported measure.

(4) Further provisions on the grounds to be used to assess that the expenditure is documented, final, reasonable and verifiable are issued by Government Decree. The Finnish Agency for Rural Affairs issues further regulations on the accounts and accounting documents showing that the expenditure is documented, final, reasonable and verifiable.

#### Section 38 – *Amount of support paid*

(1) The maximum amount of support paid is the share of the approved costs included in the payment application which corresponds to the level of support and the amount of support granted.

(2) Project support and support referred to in section 14(1)(4) is paid in proportion to the funding shares approved by the support decision. The beneficiary must provide the authority with an account of the realisation of the other public or private funding. (28.12.2007/1478)

(3) Revenue incurred from the supported measure is taken into account as a factor that reduces the amount of project support. Private funding notified in a plan referred to in section 21(2) is not considered as revenue. The beneficiary must present an account of the revenue of the project in connection with the payment application.

(4) Further provisions of the impacts of the revenue from a project on the amount of support are laid down by Government Decree. The Finnish Agency for Rural Affairs issues further regulations on the realisation of the other public and private funding of the project and the account concerning the revenue.

#### Section 39 – *Approval and making of payments*

(1) Support may be paid annually in no more than four instalments. Project support may be paid in advance if this is justified as regards the position of the beneficiary and implementation of the supported measure.

(2) The decision on the payment of the support is made by the Employment and Economic Development Centre. The Employment and Economic Development Centre compiles the information concerning the payments and forwards these to the Finnish Agency for Rural Affairs. The Finnish Agency for Rural Affairs is responsible for checking and approval of the expenditure and making the payments.

(3) Further provisions on the instalments of the support payments, amount of support to be paid in advance, preconditions and conditions for the advance payment and application for the advance payment and procedures to be complied with in the payment are issued by Government Decree.

### Chapter 8 – **Follow up of the support**

#### Section 40 – *Accounts and follow-up information*

(1) The beneficiary must present the accounts concerning the progress and effectiveness of the supported measure and the follow-up information to the Employment and Economic Development Centre.

(2) Further provisions on the content of the accounts and follow-up information are laid down by Government Decree. The Finnish Agency for Rural Affairs issues further regulations on the way

how the accounts and follow-up information are to be presented and forwarded to the Employment and Economic Development Centre.

#### Section 41 – *Information system for the follow-up*

(1) There is an information system, composed of registers, for the follow-up of the funding, granting, payment, auditing and recovery of the support and the related impacts. Provisions on the maintenance and use of the registers are laid down in the legislation concerning the processing of customer information in the administration of rural industries. In addition to the provisions on the use of the registers in the above-mentioned legislation, the provisions on secrecy notwithstanding the local action groups is entitled to obtain information necessary for managing tasks set down for it from the register. (28.12.2007/1478)

(2) The following information concerning the applicant, beneficiary, supported measure and use of support may be recorded in the information system for the follow-up:

1) name and contact information of the applicant and personal identity code or business code;

2) name and contact information of the contact person of the applicant;

3) information referred to in points 1 and 2 above on a person involved in the implementation of a supported measure to whom support is transferred under section 9, and information referred to in point 1 on an enterprise that is the object of support referred to in section 14(1)(4).  
(28.12.2007/1478)

4) information concerning the content, objectives and results of the supported measure;

5) estimates concerning the costs and total funding of the supported measure and information on their realisation;

6) information on a programme involved in the funding of the supported measure;

7) information on the support and payment application and decisions on these and specification of the support;

8) names and contact information of the members of the steering group of a project;

9) information on the support granted and paid to the beneficiary;

10) amount of public funding to be used for the supported measure;

11) information on whether the granted support is State aid referred to in Article 87 of the Treaty Establishing the European Community;

12) information on an audit and observations made in it;

13) information on support to be recovered from the beneficiary and the realisation of the recovery;

14) information compiled for follow-up referred to in section 40 above; and

15 other necessary information collected upon the processing of the application.

(3) The relevant provisions laid down in the Personal Data Act (523/1999) apply to the right of a registered party to check the information concerning him or her included in the information system for follow-up, correcting errors or shortcomings in the information and abolition of outdated and unnecessary information.

(4) Further provisions on information to be recorded in the register which is not personal data may be issued by Government Decree.

#### Section 42 – *Publicity, secrecy and storage of information*

(1) The provisions of the Act on the Openness of Government Activities apply to the publicity and secrecy of information included in the information system for follow-up.

(29) Information included in the information system is stored for ten years from the making of the decision on granting the support. However, if the support was granted the information is stored for ten years from the payment of the last instalment of the support and, in the case of support included in a programme co-funded by the European Community, for five years from the last payment of the Community contribution by the Commission of the European Communities.

### Chapter 9 – **Auditing**

#### Section 43 – *Right to perform an audit*

(1) To control the compliance with the preconditions and conditions relating to the granting, payment and use of the support the Ministry of Agriculture and Forestry and the Finnish Agency for Rural Affairs may perform audits directed to those who grant the support and the beneficiaries. The Employment and Economic Development Centres have a similar right as regards the beneficiaries. If support has been transferred to another party as referred to in section 9 of the enterprise is the object of support referred to in section 14(1)(4), to control the compliance with the preconditions and conditions relating to the granting, payment and use of the support the above-mentioned authority is also entitled to audit the finances and activity of this enterprise.

#### Section 44 – *Performance of an audit*

(1) An audit may concern, to the extent required by the control task, the buildings, premises, circumstances, information and documents significant as regards the supported measure and use of support. An audit may, however, not be performed in premises which are within the sphere of domiciliary peace.

(2) For appropriate performance of an audit, an external auditor may be authorised to perform the audit. The auditor must be an auditor or auditing corporation referred to in the Auditing Act (459/2007) or the Act on Chartered Public Finance Auditors (467/1999). An auditing corporation must nominate an auditor responsible for the audit. The provisions of the Administrative Procedure Act (434/2003), Language Act (423/2003), Sami Language Act (1086/2003) and Act on the Openness of Government Activities apply to the performance of an audit. The provisions concerning the criminal liability of public officials apply to the auditor who performs an audit. The provisions of the Tort Liability Act (412/1974) apply to damages caused when performing an audit. (28.12.2007/1478)

(3) A report must be drawn up on the audit and delivered to the relevant Employment and Economic Development Centre and the Finnish Agency for Rural Affairs without delay.

(4) The party performing the audit is entitled to take possession of the documents and other material relating to the use of support if this is required to reach the objective of the audit. The documents and other material must be returned without delay when they are no longer required for the performance of the audit. (28.12.2007/1478).

(5) The authority referred to in section 43 above is entitled to executive assistance from the police in performing an audit. (28.12.2007/1478)

## Chapter 10 – **Interrupting the payment and recovery of support**

### Section 45 – *Interrupting the payment and recovery of support (28.12.2007/1478)*

(1) The Employment and Economic Development Centre is obligated to interrupt the payment and recover the support if

- 1) the preconditions for the granting or payment of the support have not been fulfilled;
- 2) the beneficiary has given incorrect or insufficient information which has had a significant impact on the granting or payment of support;
- 3) the beneficiary has conveyed the business activity or the object of the supported investment without a permit from the Employment and Economic Development Centre before the time limit laid down in section 24;
- 4) the beneficiary has refused to assist in an audit; or
- 5) this is required under the European Community legislation concerning support for rural development co-funded by the European Community or funded nationally.

(2) A decision may be made not to recover an amount of no more than 100 euros.

(3) If support has been granted to several parties jointly, all the beneficiaries have a joint responsibility for the recovery of the support.

### Section 46 – *Interest on the amount to be repaid*

(1) The beneficiary must pay an interest referred to in section 3(2) of the Interest Act (633/1982 plus three percentage units on the amount to be returned or recovered. Interest must be paid from the date of payment to the due date referred to in section 49(1).

### Section 47 – *Interest for late payment*

(1) If the amount to be recovered is not paid by the due date referred to in section 49(1), an annual interest for late payment must be paid on it according to the interest rate referred to in section 4(1) of the Interest Act.

### Section 48 – *Adjusting of recovery*

(1) The Employment and Economic Development Centre may decide not to recover an amount paid on incorrectly or without grounds or an interest on this in full or partly, if the recovery of the full amount would be unreasonable considering the circumstances and activity of the beneficiary as a whole. The recovery and collection of interest must, however, be carried out in full if this is required under the European Community legislation concerning support for rural development co-funded by the European Community or funded nationally.

#### Section 48 – *Decision on recovery and interruption of payment*

(1) The Employment and Economic Development Centre must make a decision on recovery and interruption of the payment of support. The decision lays down the amount to be recovered, interest referred to in section 46 and the due date to be set for their payment.

(2) A decision on recovery must be made without undue delay after the Employment and Economic Development Centre has received the notification concerning grounds laid down in section 45 and no later than 10 years from the payment of the last instalment of the support.

#### Section 50 – *Enforcement of a decision on recovery (28.12.2007/1478)*

(1) The Finnish Agency for Rural Affairs is responsible for implementing a decision on recovery. The recovery may be performed by deducting the amount to be recovered with interest from the other support payments to the beneficiary. This is subject to the precondition that the decision on recovery has become legally valid.

(2) A decision on recovery may be enforced by execution after the decision has become legally valid. The provisions of the Act on Enforcement of Taxes and Charges (706/2007) apply to the enforcement of the decision.

### Chapter 11 – **Miscellaneous provisions**

#### Section 51 – *Service of a decision*

(1) A service of a decision referred to in this Act may be effected as laid down in section 59 of the Administrative Procedure Act.

#### Section 52 – *A decision is free of charge*

(1) A decision referred to in this Act is free of charge to the applicant and beneficiary.

#### Section 53– *Right of access to and disclosure of information*

(1) The provisions on secrecy notwithstanding, the Ministry of Agriculture and Forestry, Finnish Agency for Rural Affairs and Employment and Economic Development Centre has the right of access to information necessary for processing a matter related to the support from another authority or party managing a public task concerning the applicant or beneficiary, their financial position and business or professional activity, financing granted from public funds or other significant circumstance as regards the support.

(2) The provisions on secrecy notwithstanding, the Ministry of Agriculture and Forestry, Finnish Agency for Rural Affairs and Employment and Economic Development Centre has the right to

disclose to another authority or a party managing a public task or an institution of the European Community information obtained when managing a task laid down in this Act concerning the beneficiary which is necessary to the authority, party managing a public task or institution for performing a prescribed audit or to control the compliance with the European Community legislation.

(3) Information obtained under subsection 1 or 2 above may not be used for a purpose other than it was requested for.

#### Section 54 – *Technical assistance*

(1) Technical assistance may be used for:

1) managing tasks relating to the preparation, implementation, evaluation and follow-up of a programme and communication laid down in the Management Act;

2) managing tasks relating to the implementation of programme-based support;

3) preparation or commissioning of studies and surveys in support of programme work and implementation and follow-up of a programme; and

4) organisation of training relating to the implementation of a programme.

(2) The Finnish Agency for Rural Affairs prepares an annual allocation plan for technical assistance, follows its total use and draws up accounts concerning technical assistance. The Ministry of Agriculture and Forestry ratifies the allocation plan.

(3) Further provisions on the procedure to be followed in the ratification of the allocation plan and the eligible costs of technical assistance are issued by Government Decree.

#### Section 55 – *Operational funds*

(1) Operational funds may be granted to a local action group for managing tasks laid down for it in this Act and the Management Act. Operational funds may be granted for no more than five years at a time.

(2) The eligible costs for operational funds are the reasonable and necessary costs arising from the management of the tasks relating to hiring of staff and to the premises and operations of the action group. Eligible costs also include costs arising from the acquisition of the necessary special skills. Operational funds are not granted for investments.

(3) A decision on granting operational funds is made by the Employment and Economic Development Centre. The provisions on support laid down in this Act or under it apply to the application, payment, follow-up, auditing and recovery of operational funds. The provisions of sections 24(1), 25 and 26 must be complied with as conditions for the operational funds.

(4) Further provisions on the eligible costs of operational funds are issued by Government Decree.

#### Section 56 – *Prohibition of appeal (28.12.2007/1478)*

(1) A decision on extending the time period referred to in section 23(3) may not be appealed.

#### Section 57 – *Appeal*

(1) A decision of the Employment and Economic Development Centre referred to in this Act may be appealed to the Appeals Board for Rural Industries as laid down in the Administrative Judicial Procedure Act (586/1996).

(2) A decision of the Appeals Board for Rural Industries concerning the interruption of the payment or recovery of support may be appealed to the Supreme Administrative Court as laid down in the Administrative Judicial Procedure Act. Other decisions of the Appeals Board for Rural Industries may be appealed to the Supreme Administrative Court only if the Supreme Administrative Court issues a leave to appeal.

### Chapter 12 – **Entry into force and transitional provisions**

#### Section 58 – *Entry into force*

(1) Section 54 of this Act enters into force on 1 January 2007. Otherwise the Act enters into force on a date laid down by Government Decree.

(2) The Act applies to supports introduced on 1 May 2007 or after that.

(3) Measures necessary for the implementation of the Act may be undertaken before the Act's entry into force.

#### Section 59 – *A transitional provision concerning the Finnish Agency for Rural Affairs*

(1) Until the establishment of the Finnish Agency for Rural Affairs the authority laid down by this Act for the Finnish Agency for Rural Affairs is exercised by the Ministry of Agriculture and Forestry. Until the establishment of the Finnish Agency for Rural Affairs provisions on issues which according to this Act are regulated by the Finnish Agency for Rural Affairs may be issued by Decree of the Ministry of Agriculture and Forestry.