

Annex 3 – Financial rules

Article 1 – Limitations

The promoter or partners cannot receive more than 550,000 Euros, in total support from Active Citizens Fund Romania Programme, or to be involved in more than 4 projects during the Programme, excluding any grants in rapid response funding or through the Fund for Bilateral Relations and the Regional Civil Society Initiatives.

Article 2 – Grant rate and cofinancing

The maximum grant rate of the project is that referred to in Article 3.2 of the Grant Contract and may be up to 100% of the total eligible costs of the project.

The co-financing, if applicable, is the one mentioned in the project budget, annex to the Grant Contract.

In case such co-financing is ensured in cash, it must be from sources such as donations, sponsorships, membership fees, etc. and not from other projects/grants. The project cannot be co-financed by other programmes of the EEA and Norway grants, European funds or European Union budget or other in-kind contributions.

In case the co-financing is provided in kind, it can only be in the form of voluntary work. For the calculation of in-kind contribution in the form of voluntary work, the Promoter and the partner/s will take into account the actual time allocated for the implementation of the project (in hours / month) and the price shall be set in the range of the minimum gross hourly wage and the average gross hourly wage in Romania (valid at publishing date of the Calls for Proposals), including the employer's social contribution, depending on the character of the delivered work. The Promoter should provide justification for establishing the corresponding price of the voluntary work hour. For the project partner/s whose primary location is in one of the Donor States or other Beneficiary States or countries outside the EEA with a common border with Romania, the range in the respective country will be applied.

Voluntary work cannot be provided by a staff member who has, at the same time, an individual employment contract concluded with the Promoter or the project partner/s, for the same type of activities / responsibilities.

The in-kind contribution in the form of voluntary work that will be reported according to the budget must respect the general principles on the eligibility of costs laid down in Art. 5 of the Grant Contract.

Article 3 – Payments, currency and bank accounts related to the project

In the sense of Art. 4.9 of the Grant Contract, making transfers between accounts means the transfer of amounts related to payments made or necessary for payments to be made related to the project, as appropriate:

- from the accounts dedicated exclusively for the project in RON or Euro, into another account corresponding to the currency in which the payment is made, in case of invoices received in foreign currency;
- from the accounts dedicated exclusively for the project into another account of the organization from which the Promoter and / or partners decide to make payments related to shared invoices (e.g., utilities) or salaries, except for those for personnel allocated 100% to the project.
- from other accounts of the organization into the accounts dedicated exclusively for the project in case of transfer of co-financing or other amounts necessary to finance the project.

In such cases, only:

- Payments in a currency other than Euro, for the purchase of goods and services from abroad, can be made from another account corresponding to the currency in which their payment is made. In this situation, the Promoter and the partners have the obligation to transfer from the project accounts to these other accounts only the amounts for making these payments, either before making payments or until the end of the month following the month in which the payments have been made, or at the very latest by the time of submission of the financial report for the period in which they are reported.
- Payments related to shared expenses (salaries, except those for personnel allocated 100% to the project, utilities such as water, gas, electricity for which the invoice is issued for the entire activity of the organization, and the like) can be made in full from the general account of the organization. In this case, the Promoter and the partners have the obligation to calculate the amount related to the project from the total of these payments and to transfer from the project accounts to the general account of the organization only the amount resulting from this calculation, either before making payments or until the end of the month following the month in which the payments have been made, or at the very latest by the time the financial report is submitted for the period in which they are reported.

The Promoter and the project partners may decide that the payments related to the two above exceptions will also be made from the accounts dedicated exclusively for the project, in which case the bank fees related to these payments will be eligible. From the accounts dedicated exclusively for the project only the amount from the document that is related to the project can be paid (e.g. electricity bill for October 2021 in the total amount of 500 RON, of which the cost for the project is 175 RON, according to the 35% rate resulting from the methodology for the calculation of indirect costs; the full value of the invoice cannot be paid from the account in RON intended exclusively for the project, but only the amount of 175 RON, which represents the expense related to the project for the respective month).

Where appropriate, the co-financing in cash shall be transferred to the accounts dedicated exclusively for the project, as it is used to make payments related to the project.

In any other case, any other amounts necessary during the implementation period to support payments related to project expenses are transferred from other accounts of the organization to accounts dedicated exclusively for the project to be used from these accounts and recovered from the next payment from the Operator. In this situation, immediately after receiving the next interim payment, the Promoter and the partners have the obligation to calculate the amount contributed for the financial support of the project (including the amount related to the project from the total shared payments, if any) and to transfer the amount resulting from the calculation from the accounts dedicated exclusively for the project into the general account of the organization.

Article 4 – General principles on the eligibility of expenditure

According to Art. 5.1 of the Grant Contract, the eligible expenditures of the project are those made by the Project Promoter and / or the project partners, which meet the following criteria:

- a) **They are incurred between the first and last dates of the eligibility period of the project, as specified in the Grant Contract;**

Expenditures shall be deemed to have been incurred when the following conditions are met:

- **The costs has been invoiced** - Invoice or accounting document with equivalent value must be issued by the supplier in the name of the promoter and / or project partner and recorded in the analytical accounting or on the cost centre of the project.
- **The invoice has been paid:** The invoice or accounting document with equivalent value must be paid by the project promoter or partner from the accounts dedicated exclusively for the project (with the exceptions mentioned in Art. 4.7 of the Grant Contract, if applicable), and the payment recorded in the analytical accounting of the project or on the cost centre of the project;
- **The goods, services or works** have been received

The first and last dates of eligibility, the interval called the eligibility period, are those specified in Art. 2.3 of the Grant Contract. Costs incurred outside the eligibility period will not be eligible.

Exceptionally, the expenditures in respect of which invoices have been issued in the final month of implementation of the project are considered eligible if they are paid within 30 days from the last day of the project eligibility period. Personnel costs for the last month of the project which are paid within the above-mentioned period are considered eligible.

Overheads and depreciation of equipment are considered to have been incurred when they are recorded on the accounts of the Promoter and / or partners.

| Example 1 | |
|---|---|
| Last date of eligibility set in the Grant Contract: | 31 July 2023 |
| Date of invoice | 10 July 2023 |
| (1) Date of invoice payment | 30 August 2023 = eligible cost |
| (2) Date of invoice payment | 31 August 2023 = ineligible cost |

| Example 2 |
|---|
| Staff salary costs for the last month of the project, which are paid in the following month are eligible, provided the payment is made within 30 days from the date of completion of the project. |

b) They are connected with the object of the Grant Contract and are included in the detailed budget of the project;

The eligible expenditure incurred during the implementation of the project may not exceed the amounts set in the approved budget - Annex 2 to the Grant Contract. Any changes to the approved budget must be notified, justified and approved by the Operator according to Art. 13 of the Grant Contract.

The inclusion of an expenditure in the budget approved by the Operator is not a sufficient condition of its eligibility. In order for an expenditure to be eligible, it must meet all the other eligibility criteria and be justified by an invoice or equivalent accounting document.

c) They are proportionate and necessary for the implementation of the project;

Expenditure incurred must be reasonable and justified. To this end, each expenditure incurred must be:

- proportional to the importance and complexity of the project's object;
- strictly necessary and justifiable to meet the project objectives.

d) They are used for the sole purpose of achieving the objectives of the project and its expected outcomes, in a manner consistent with the principles of economy, efficiency and effectiveness.

All resources shall be used:

- for **the fulfilment of the project objectives**, which means that the only reason why the expenditure is included in the budget is its contribution to the fulfilment of the project objectives;
- in accordance with the principles of sound financial management, namely in accordance with **the principles of economy, efficiency and effectiveness**.

Economy, efficiency and effectiveness, the "3Es" define the value of money and can be described as follows:

- **Economy** – we spend less: minimizing the costs of resources used or required;
- **Efficiency** – we spend well: the relation between the results obtained with the goods or services produced or purchased and the resources required to produce or purchase them;
- **Effectiveness** – we spend wisely: the relation between the desired results and the actual results of the expenditure.

e) They are identifiable and verifiable, in particular by their registration in the accounting records of the Promoter and/or partners and by their determination according to the applicable accounting standards and generally accepted accounting principles;

To be eligible, expenditure incurred must be identifiable and verifiable, in particular by:

- being recorded in the accounting records using analytical accounts created for the project, or a special cost centre created for the project, and
- being determined according to the applicable accounting standards and generally accepted accounting principles (ex: expenses on depreciation of fixed assets must be determined and recorded in the analytical accounting of the project in accordance with applicable legal regulations and accounting policies on depreciation of fixed assets adopted by the entity).

There must be appropriate documentation evidencing that all expenses incurred are related to the objectives and expected outcomes of the project. The expenditures that are not evidenced by supporting documents are not eligible.

The documentation must provide sufficiently strong evidences that the costs comply with the applicable legal provisions as well as all eligibility criteria.

The expenditures based on competitive procurement procedures must be further justified by contracts with suppliers or service providers.

Documents and supporting records must be filed in such a way that makes their examination easy, when verifications or audits take place, and kept at hand for a period of at least 10 (ten) years from the date of approval of the final report by the Fund Operator.

The internal accounting and auditing procedures must allow for the direct reconciliation of expenditures and revenues recorded in the analytical accounting, or by cost centre of the project with the amounts reported in the financial reports on the project and with the supporting documents.

Exceptionally, for expenditure incurred by project partners whose primary location is one of the Donor States (Norway, Iceland, Liechtenstein), the beneficiary states (Bulgaria, Cyprus, the Czech Republic, Croatia, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Slovakia and Slovenia) and from countries outside the European Economic Area that have a common border with Romania - Moldova, the Ukraine and Serbia, or project partners that are international organizations, bodies or agencies thereof, proof of expenditure included in the interim or final financial reports will take the form of a report prepared by an independent auditor qualified in order to execute the legal auditors of the documents accounting, certifying that the reported costs are incurred in accordance with the Grant Contract, the relevant law and national accounting practices. The audit report shall be accompanied by an authorized translation into Romanian.

If such in the case:

- Each financial (interim or final) report will be accompanied by an audit report and will be accepted by the Operator as sufficient proof of the expenses incurred and reported, without the need to send copies of the supporting documents of those partners;
- The cost of auditing the expenses of the partners in the category mentioned in the previous paragraph is considered an eligible cost of the project, provided that it complies with the eligibility rules and is included in the approved budget - Annex 2 to the Grant Contract;
- Upon the request of the Operator or of the authorized entities and bodies, the project partner will grant access to the supporting documents on the basis of which each audit report was issued;
- The certification process is governed by International Standard on Related Services (ISRS) 4400 "Agreed-Upon Procedures Engagements" published by IFAC.

The audit report will describe the purpose and agreed-upon procedure of the engagement in sufficient details for the reader to understand the nature and extent of the work performed. ISRS 4400 also sets useful standards for letters of engagement and for reports on factual findings. The audit report will be accompanied by a detailed report that will include at least the following aspects:

1. Obtaining sufficient understanding of the Project and the terms and conditions of the Grant Contract
2. Procedures for verifying the eligibility of the expenditure claimed by the partner in the technical and financial report:
 - 2.1. General Procedures
 - 2.2. Compliance of expenditures with the budget and analytical evaluation
 - 2.3. Expenditure Verification
 - 2.3.1. Expenditure eligibility
 - 2.3.2. Accuracy and accounting records
 - 2.3.3. Classification (Correct classification of expenditure by activities and budget lines)
 - 2.3.4. Actuality (Existence)
 - 2.3.5. Adherence to procurement procedures
 - 2.3.6. Indirect (administrative) costs
 - 2.3.7. Ineligible costs (if applicable)
 - 2.4. Expense coverage check (Expense coverage rate)
 - 2.5. Checking project receipts

An entity's audited annual financial statements may not replace the auditor's specific certification confirming that those reported costs are incurred in accordance with the Grant Contract, the relevant legislation and national accounting practices.

- f) Comply with the requirements of tax and social legislation, including, but not limited to, applicable labour law.**

All expenses incurred and reported in the financial reports shall comply with tax and social security legislation, including, but not limited to, labour law applicable to the entity that incurred them.

The Promoter and the partners, as the case may be, guarantee that during the entire implementation period of the Grant Contract the expenses incurred and reported have met, meet and will meet all eligibility criteria, including compliance with the requirements of tax and social legislation.

Article 5 - Direct costs eligible for the project

In accordance with Art. 6.1 of the Grant Contract, the direct eligible expenditures for the project are those expenditures identified by the Project Promoter and the project partners, in accordance with generally accepted accounting principles and common internal policies and procedures, as specific expenditures directly linked to the implementation of the project and which can, therefore, be booked directly in the analytical accounting, respectively on the cost centre of the project. The following types of direct expenditures are eligible:

- a) The cost of personnel assigned to the project, comprising net salaries plus salary contributions, including employer contributions and other applicable salary costs, provided that this corresponds to the usual remuneration policy of the Project Promoter and the project partner, respectively;**

Salary expenses with staff assigned exclusively to the project are fully eligible. In all other cases, only the expenses related to the hours actually worked by the persons directly performing the tasks within the project are eligible.

In making the salary expenses, the Promoter and the partners must respect the following principles:

- Existence of an individual employment contract, addendum or appointment decision with a clear reference to the project (e.g., grant contract number) in order to avoid ambiguity, especially if a staff member is hired to work exclusively on the project. The project manager must be employed with an individual employment contract signed for a relevant period of time during the project implementation period. The financial manager may be employed with an individual employment or its activity can be outsourced to a legal person or an authorized natural person, which has in its object of activity the possibility to provide these services.
- In the event of any difference in unit hourly costs between the project budget and the individual employment contract, the calculated hourly unit cost taking into account the gross salary of the individual employment contract shall prevail and shall be applied to the calculation of staff salary included in the financial reports. If the unit hourly rate is higher in the project budget than the one calculated according to the gross salary of the individual employment contract, the unit hourly rate calculated according to the individual employment contract must be considered as eligible expenditure, and if the calculated unit hourly rate is higher in the individual employment contract than in the project budget, it is eligible within the budgeted hourly cost. If there are fluctuations in the unit hourly cost of the individual employment contract and the payroll in correlation with the budgeted hourly cost, which result from the variation of the number of working days per month or salary rights granted under the law (rest leave, other leave granted under law), they are accepted provided that they respect the principles of eligibility of expenditure, and at the end of the project the total number of hours estimated to be achieved is observed for each position, and there is no exceedance of the total budgeted cost for any position within the project;
- Overtime shall only be accepted exceptionally (occasionally), provided that it is necessary for the project, well justified and granted in accordance with applicable national law and the entity's usual pay policy. Systematic overtime payments do not comply with the Programme's proportionality and sound financial management requirements set out in the eligibility criteria for expenditure;
- Any additional salary benefits (e.g., monthly transport costs) must be directly linked to the salary payments, paid in accordance with the individual employment contract or the relevant national legislation, proportionate and necessary for the implementation of the project;
- benefits granted to employees (in addition to salary) and which fall into the basis of calculating salaries as income assimilated to salaries, daily travel allowance, or any other related travel costs shall not be included in this category of expenses;

- Working hours must be recorded throughout the project period in timesheets for the project or through a system of recording hours worked, and duly justified by actual and reliable evidence. Timesheets of project staff must be signed, reviewed and approved by the immediate supervisor (e.g., project manager). If, within the same organization, a person assigned to the project works for several projects in the same period, an overview of the time worked will be maintained and a monthly summary timesheet will be sent, according to the format provided by the Operator, containing the record of the hours worked on each of the projects in which the person is involved, as well as the hours worked for other activities within the organization. The Promoter and partners must comply with the applicable legal regulations regarding the maximum working time for staff employed with individual employment contracts as well as the time interval in which employees are available to the employer and perform activity within the project (avoiding duplication of work schedule).
- Sufficient supporting documents attesting to compliance with national social and tax legislation must be kept.

| Example 1: Individual full-time employment contract, of which 4 hours / day allocated to the project | | |
|---|---------------------------------------|---|
| Hourly cost calculation | Fully within the budgeted cost | Partially within the budgeted cost |
| Daily workload as per individual employment contract (hours / day) | 8 | 8 |
| Gross salary as per the workload, as per individual employment contract | 6,000 RON | 6,500 RON |
| Work insurance contribution (2.25%) due by the employer | 135 RON | 146 RON |
| Total salary cost | 6,135 RON | 6,646 RON |
| Reporting month | Oct.21 | Oct.21 |
| Working days in the month | 21 | 21 |
| Working hours in the month | 168 | 168 |
| Hourly wage cost calculated as per individual employment contract | 36.5179 RON | 39.5595 RON |
| Number of hours worked for the project in the reporting month | 84 | 84 |
| Maximum cost that could be claimed from the project, in RON | 3,067.50 RON | 3,323.00 RON |
| Maximum cost that could be claimed from the project, in Euro | 634.76 € | 687.64 € |
| Verification of compliance with the project budget | | |
| Inforeuro exchange rate for the reporting month | 4.8325 | 4.8325 |
| Hourly wage cost in Euro, calculated as per individual employment contract | 7.5567 € | 8.1861 € |
| Budgeted hourly wage cost | 8 € | 8 € |
| Hourly wage cost that can be claimed from the project (the lower of the realised hourly wage cost and the budgeted hourly wage cost) | 7.5567 € | 8.0000 € |
| Salary cost that can be claimed from the project | 634.76 € | 672.00 € |

| Example 2: Individual full-time employment contract fully allocated to the project, with rest leave in the reporting month | | |
|---|--|---|
| Hourly cost calculation | Fully within the budgeted cost | Partially within the budgeted cost |
| Daily workload as per individual employment contract (hours / day) | 8 | 8 |
| Gross salary as per the workload, as per individual employment contract | 6,000 RON | 6,500 RON |
| Work insurance contribution (2.25%) due by the employer | 135 RON | 146 RON |
| Total salary cost | 6,135 RON | 6,646 RON |
| Reporting month | Oct.21 | Oct.21 |
| Working days in the month | 21 | 21 |
| Working hours in the month | 168 | 168 |
| Hourly wage cost calculated as per individual employment contract | 36.5179 RON | 39.5595 RON |
| Number of hours worked for the project in the reporting month | 88 | 88 |
| Number of days of rest leave calculated in proportion to the duration of involvement in the project | 10 | 10 |
| Daily allowance for rest leave (the higher of the 3 months' daily average and the daily average of the reference month) | 297.8932 RON (higher than the daily average of the reference month) | 309.5238 RON (equal to the daily average of the reference month) |
| Rest leave allowance | 2,979 RON | 3,095 RON |
| Gross salary in the month | 6,122 RON | 6,500 RON |
| Work insurance contribution (2.25%) due by the employer | 138 RON | 146 RON |
| Total salary cost | 6,260 RON | 6,646 RON |
| Hourly wage cost calculated as per individual employment contract and other allowances according to law (rest leave) | 37.2619 RON | 39.5595 RON |
| Number of hours related to the project, including rest leave | 168 | 168 |
| Maximum cost that could be claimed from the project, in RON | 6,260.00 RON | 6,646.00 RON |
| Maximum cost that could be claimed from the project, in Euro | 1.295,40 € | 1.375,27 € |
| Verification of compliance with the project budget | | |
| Inforeuro exchange rate for the reporting month | 4.8325 | 4.8325 |
| Hourly wage cost recalculated as per individual employment contract and other allowances according to law (Euro) | 7.7107 € | 8.1861 € |
| Budgeted hourly wage cost | 8 € | 8 € |
| Hourly wage cost that can be claimed from the project | 7.7107 € | 8.0000 € |
| Wage cost that can be claimed from the project | 1,295.40 € | 1,344.00 € |

The position in the individual employment contract should be equivalent to the position within the project. A person cannot be employed with an individual employment contract at the same time and for the same project by the Promoter and partners, or by several partners. We recommend the preparation of payroll for the project.

In the case of partner public entities, only additional salary costs resulting from involvement in the project are eligible from the grant. Expenditure on staff of partner public entities cannot be supported by the grant provided if it is funded from the state budget, the local budget or other funding.

The in-kind contribution in the form of voluntary work included in the project budget (if applicable) must comply with the general principles on eligibility of expenditure. It is provided only by the Promoter and / or the project partners. Voluntary activities must be identifiable and verifiable: voluntary work must be recorded during the project through hourly sheets, timesheets or an appropriate work time recording system, and duly justified.

The Promoter must also justify the manner of setting the reported cost for the volunteer hour. For the calculation of the in-kind contribution in the form of voluntary work, the Promoter and the partner/s will take into account the actual time allocated for the implementation of the project (in hours / month) and the price shall be set in the range of the minimum gross hourly wage and the average gross hourly wage in Romania (valid at publishing date of the Call for Proposals), including the employer's social contribution, depending on the character of the delivered works. For the project partner/s whose primary location is in one of the Donor States or other beneficiary States, the range in the respective country will be applied.

A person who has an employment contract cannot have a volunteering contract within the same project (for example: an individual employment contract with the Promoter and a volunteering contract with one of the partners or vice versa) for the same types of responsibilities / activities.

b) Travel and subsistence expenses for personnel and volunteers taking part in the project, in accordance with the usual practices of the Promoter and / or the partner regarding travel costs and / or the applicable legal provisions, as appropriate;

The following principles apply to travel and subsistence expenses:

- The trip must be clearly related to the project, and the people traveling must be employees or volunteers of the entity;
- No expense covered by the daily allowance will be eligible in addition to its value;
- The daily allowance must comply with applicable national law and, where applicable, the entity's internal rules (e.g. compliance with the daily allowance established by the internal decision or procedure for all employees of the entity while complying with legal regulations applicable to non-taxable allowance);
- The principle of rigorous financial management shall be applied to the choice of transport and accommodation (ex: according to Art. 8.1 letter i) of the Grant Contract corroborated with Art. 7 of the present annex, expenses related to the business class travel are not eligible);

Sufficient documents must be provided as proof of travel and subsistence expenses made. These will prove the actual existence of the trip and its direct link to the project (e.g. accommodation invoice, airline ticket invoice, airline tickets, e-tickets, boarding pass, invoices and receipts or meal vouchers - in the case of volunteers, payment order for the daily allowance - in the case of employees, list of participants, minutes, event agenda, etc.);

Non-taxable and taxable per diem costs shall be reported on this line. In the case of the taxable daily allowance, we recommend that it be entered separately from the salary on the payroll.

c) Expenses related to new or second-hand equipment, if they are depreciated according to the generally accepted accounting principles applied by the Promoter and / or the project partner and generally accepted for goods of the same kind. Only the part of the depreciation corresponding to the duration of the project and the rate of actual use for the purpose of the project can be considered by the Operator. If the Operator decides that the equipment is an integral component and necessary to achieve the objectives of the project, the full purchase price of that equipment may be eligible;

Depreciation of equipment (new or second-hand) is eligible provided that the asset is purchased in accordance with applicable procurement rules and recorded in the analytical accounts of the Promoter and / or partner in accordance with generally accepted accounting principles applicable to the entity and generally accepted for items of this type.

In the case of new or second-hand equipment, purchased before the start date of the implementation period and which has not yet been depreciated, its depreciation may be eligible in the project under the following conditions:

- The equipment has been purchased on the basis of procurement procedures compatible with the procurement rules applicable under the Programme.
- Depreciation shall be recorded in the accounting of the Promoter / partner according to the generally accepted accounting principles applicable to the entity and generally accepted for items of this type.
- Only the remaining part of the depreciation corresponding to the duration of the project and the rate of actual use for the purpose of the project can be considered.

Example: depreciation of equipment

A promoter owns equipment that depreciates in five years and at the beginning of the project the equipment was already in use for two years. Assuming that the equipment is used 100% for the project, the last three years of life of the equipment form an eligible cost of the project (assuming that the project lasts three years), if it can be proved that at the time of purchasing the equipment a procurement procedure was applied which complies with the minimum requirements set by the Operator.

If applicable, when the full purchase price of the equipment is included in the approved budget, all general and specific conditions mentioned in Art. 6 of the Grant Contract regarding the eligibility of the full cost of the equipment shall be met.

Expenditures on new or second-hand equipment purchased towards the end of the project implementation period **are not eligible**.

d) Expenditures on goods and consumables, if they are identifiable and attributed to the project;

Expenditures on assets, including goods, equipment and consumables, purchased under the project is eligible if they are:

- identifiable and attributed to the project;
- kept safe and used for the purpose for which they were purchased under the project;
- legally and physically identified (e.g., by stickers, numbered labelling applied on them, etc.);
- purchased according to the applicable procurement rules, established in Annex 6 - Rules for procurement.

The transport and accommodation costs of participants in training or events, reimbursed directly to them on the basis of a statement, must be budgeted and reported in this category.

In the case of self-managed rehabilitation works, the costs related to the construction, reconstruction, renovation or refurbishment of a real estate shall not exceed 50% of the direct eligible cost of the project, including all construction materials and personnel employed for these works.

e) Expenditures related to the payment of other contracts concluded by the Promoter or its partners for the purpose of carrying out the project, provided that they have been concluded in compliance with the applicable procurement rules;

Expenses incurred through the project and which are generated by other contracts awarded by the Project Promoter / its partners are eligible if:

- The contracts are awarded by the Project Promoter / its partners in order to carry out the activities within the project;
- The awards comply with the corresponding procurement rules, according to Annex 6 to the Grant Contract - Rules for procurement;
- Procurement procedures and signing of contracts are performed during the project eligibility period (procurement procedures cannot be launched before);

Within the projects implemented in partnership, invoices CANNOT be issued between partners or between partners and the Promoter, for the expenses made by the partners based on the Partnership Agreement and

the budget. The partnership relationship CANNOT be considered a subcontracting relation and, therefore, the partners cannot subcontract their services to each other within the project.

f) Expenditure resulting directly from requirements imposed by the Grant Contract for the project

Expenditure directly arising from the requirements of the grant agreement shall be considered eligible if:

- the requirements are clearly specified in the Grant Contract;
- purchase was made according to the procurement rules applicable to the Active Citizens Fund Romania Programme, specified in Annex 6 - Rules for procurement.

For procurement and awarding of contracts within the projects financed by the Active Citizens Fund Romania Programme, the procurement procedure, which is an annex to the Grant Contract, will be respected.

Article 6 – Indirect costs

According to the provisions of Art. 7 of the Grant Contract, the percentage related to the indirect costs of the project must represent a correct allocation from the total indirect costs of the Promoter and / or project partners.

Thus, according to Art. 7.3 of the Grant Contract, for the entire duration of the project implementation, the Promoter and / or partners must have a methodology based on to define the appropriate calculation formula for the distribution of indirect costs within the project, as well as the percentage resulting from the application of the calculation formula. The calculation formula cannot be changed during the project implementation, but the Promoter and partners have the obligation to update the percentage of the indirect cost calculation methodology each time there are changes in the parameters included in the calculation formula (e.g., reduction of the area allocated to the project from the total area of the space in which the Promoter or partner carries out its activity, as a result of starting the implementation of another project in the same space).

Whenever indirect costs are foreseen during the project implementation that cannot be allocated using the formula mentioned in the existing calculation methodology, the Promoter and / or project partners are obliged to update the methodology including, in addition to the formula existing from the beginning of the project, another appropriate formula for a correct apportionment of those indirect costs. The methodology update must be performed before using the newly identified calculation formula.

In establishing the calculation formula, the Promoter and partners must take into account the fact that no costs related to indirect costs can be allocated to the project in proportion of 100% of the value of a supporting document (invoices, receipts, tax receipts, salary cost for administrative staff, etc.). For example, 100% of the value of an electricity bill for a month of project implementation will not be eligible, but only the amount resulting from applying the percentage of the methodology to the total value of the bill, or 100% of the value of an invoice for cleaning products purchased for the headquarters / office where the activity takes place, will not be eligible but only the amount resulting from applying the percentage of the methodology to the total value of the invoice. Also, full settlement of the cost per product (individual invoices) is not allowed in this category of expenses (e.g.: 100% of the value of an invoice for purchasing a lock for the door of the premises where the activity takes place will not be eligible, etc.);

The personnel allocated to the project for whom the salary cost is budgeted and reported in part or in full in direct expenses cannot be included with partial salary expenses in indirect costs as well, within the same organization, even if for distinct periods of time.

Article 7 – Excluded costs

Art. 8.1 of the Grant Contract provides a list of expenses that are not considered eligible. These are:

- a) Interest on debt, debt services charges and late payment charges (e.g. interest costs and fees related to loans taken for financial support of the project; penalties for late payment of invoices, according to the terms of contracts concluded with suppliers or providers, interest and penalties due to the state budget for late payment of taxes and social contributions, etc.)
- b) Charges for financial transactions and other purely financial costs, except costs related to accounts dedicated exclusively to the project and those related to financial services imposed by the grant contract (e.g., bank fees related to payments not made from the accounts dedicated exclusively for the project);

- c) Costs related to purchase of land or real estate; ONLY the costs related to the construction, reconstruction, renovation or modernization of a real estate can be considered eligible, within the limits mentioned in the Grant Contract.
- d) Provisions for losses or potential future liabilities; expenditure to cover debt whose nature is clearly defined and which is likely to exist or is certain to exist, but which is uncertain as to the amount or date of occurrence (e.g. provisions regarding the obligation by which an entity undertakes to make compensatory payments to redundant staff, fines or costs to eliminate negative effects produced on the environment, punishable by law, etc.) may not be included in the budget and reported as eligible expenditure.
- e) Exchange losses;
- f) Recoverable VAT, according to the legal regulations in force; the value added tax paid on the purchase of goods and services and which can be subsequently recovered from the state budget cannot be considered eligible expenditure even if, for example, it has not yet been claimed for reimbursement and recovered from the state budget;
- g) Costs that are covered by other sources (avoid double financing);
- h) Fines, penalties and costs of litigation (e.g. fines imposed by the authorized public institutions due to lack of security measures on the land of a building, parking fines, etc.), except where litigation is an integral component of the project and is a necessary component for achieving the objectives and expected results of the project, according to the indicators detailed in the Programme Indicators Guide;
- i) Excessive or reckless expenditure; they must be determined in close connection with Art. 5.1 letter c) of the Grant Contract according to which the eligible expenses must be proportionate and necessary for the implementation of the project (e.g., business class travel, purchase of the best equipment if the same needs could be covered by cheaper options)
- j) Costs that are not supported by supporting documents.

Article 8 – Promoter's obligations regarding the reporting and verification of technical and financial reports

According to Art. 10 of the Grant Contract, the Promoter and the partners must make available to the Operator all the information and / or documents related to the execution of the Grant Contract and the implementation of the project that are requested.

During the implementation of the project the Promoter must prepare and submit one or more technical and financial reports, as appropriate. They shall be drawn up and submitted using the templates and according to the rules provided by the Operator.

In order to receive each payment (except the advance payment), the Promoter has the obligation to submit a technical and financial report and a payment request. In order to receive the advance payment, the first payment request is sent to the Operator together with the Grant Contract signed by both parties (including its annexes), in original.

The technical and financial reports shall be accompanied by copies of technical and financial accounting supporting documents (including account statements of the accounts dedicated for the project in RON and Euro, for the whole reporting period, and the balance sheet for the reporting period), as well as a declaration of honour regarding the avoidance of double financing, signed by the legal representative of the promoter and / or partner, in original. In accordance with Art. 10.10 of the Grant Contract, the copies of the supporting documents submitted for reporting must bear the clearly printed unique identification number of the Grant Contract within which the expenses were made and the amount settled under the project, in case of partial settlements.

For foreign partners and international organization partners, their bodies or agencies, a report issued by an independent auditor qualified to perform audit checks on the accounting documents, certifying that all reported costs are incurred in accordance with the Grant Contract, national law and national accounting practices will be accepted as proof of the costs incurred for the respective project partners. Therefore, they will not be required to submit copies of the financial and accounting supporting documents for the expenditure detailed in the financial statements, but will be required to submit one audit report issued by a certified independent financial auditor, for each report that contains expenses of those partners. The audit report will be prepared in accordance with International Standard for Related Services 4400, "Agreed-Upon Procedures Engagements" (ISRS 4400) issued by the International Federation of Accountants (IFAC) and will be accompanied by a detailed report according to Art. 4 letter e) of the present annex.

Promoters must report indirect costs in detail but are not required to send copies of supporting documents. For these, the Promoters will submit only the methodology for calculating the indirect costs. The Operator will verify the compliance of each stated expense with the percentages specified in the methodology. However, the Operator reserves the right to request for verification, by sampling, the supporting documents related to the indirect costs reported.

Example of indirect cost reporting

The electricity bill for October 2021 is 500 RON and the percentage of indirect costs allocation within the project for October 2021, according to the calculation methodology prepared by the Promoter, is 35%. The Promoter includes in the financial report the total value of the invoice, i.e., the amount of 500 RON, and in the heading for the cost of the project from grant and / or in the heading for the cost of the co-financing, the amount up to 175 lei (i.e., 500 RON x 35%), as well as the percentage of 35% corresponding to the month for which the expense is reported. Based on this information and the methodology for calculating the indirect costs, the Operator will check the correctness of the amounts declared in the report allocated to the project.

Article 9 – Review of reports and payments within projects

The Operator may review the approved technical and financial reports following the identification, after approval, of any situations that lead to changes in the amounts, indicators or other information initially approved, either due to errors or non-compliance with the special regulatory framework of the Active Citizens Fund Romania, of the contractual clauses, of the applicable national or European legislation, following the conclusions of any control body authorised to perform verifications or following the conclusions of the independent auditor or audit firm that will perform audits on its behalf, addressed to the Operator. The Operator may review the approved technical and financial reports at any time during the project implementation period, as well as within the period of up to 3 years from the termination of the Active Citizens Fund Romania Programme. The period will be extended until the deadline for which it is necessary to verify compliance with the additional obligations when the full purchase price of the equipment has been eligible. Promoters will be notified in writing of the review of the technical and financial reports, including the amount of expenditure approved as eligible after the review and the justification for the changes made. Where appropriate, payment or recovery of differences resulting from changes shall be made.

Article 10 – On-site monitoring visits

According to Art. 11.4 of the Grant Contract, the Operator may also decide to visit both the Promoter's headquarters and the venues where project activities are being organized, or organize meetings with the Promoter at the headquarters of the Operator or its partners within the Consortium or through platforms / online means of communication.

In these cases, during the monitoring visits, the Promoter has the obligation to ensure the presence of the relevant staff who can provide explanations regarding the activities implemented and the expenses incurred as well as to make available to the Operator for verification, technical, financial and accounting supporting documents of the project, in original, containing the signatures of the persons within the organization who prepared and approved them (where applicable). The Promoter and partners are also obliged to provide copies of any documents verified during the monitoring visit, when requested by the Fund Operator.

Thus, the Promoter has the obligation to ensure the presence during the monitoring visits, at least of the following project staff:

- Project manager - to provide information on the implementation of activities, achievement of indicators, technical changes, etc.;
- The financial manager - to provide information on the expenses incurred, budget monitoring, expenditure forecast for the next period, reporting, procurement, analytical accounting of the project, etc.;

and/or

- Accountant – if the financial manager of the project cannot provide information regarding the accounting system and / or the records of the supporting documents of the project in the analytical accounting or on the cost centre of the project, then the presence of the accountant will be necessary.

If partners are also involved in the project, the partnership leader has the obligation to provide explanations regarding the activities implemented and the expenses incurred by the partners as well as to make available

to the Operator, for verification, the partners' technical, financial and accounting supporting documents of the project, in original.

As an exception, for the eligible foreign partners, or the partners of international organizations, bodies or their agencies, only the audit reports related to the financial statements shall be presented, without the need to present financial-accounting supporting documents.

As the case may be, monitoring visits may be made to the project partners and / or the project partners may be present during the monitoring visits carried out at the Promoter's headquarters.