

Guidelines for budgeting

The project budget represents a forecast of the costs of the activities to be undertaken in order to reach the objectives set by the project and it is annexed to the grant contract. The budget is an essential part of the contract. This is a tool for checking the evolution of the implementation during the financial reporting phase. Project budgets need to be realistic and based on plausible assumptions.

Any budget implies a good knowledge of the project, in the details of the activities, so that its implementation is as realistic and accurate as possible and the situations of sub-budgeting or over-budgeting can be eliminated. The planning of the budget of a project is done concurrently with the planning of the activities.

If the budget is not properly prepared, the following problems may occur:

- budget deficit, which suggests that the budget was drawn up incorrectly and not enough funds were allocated for proper implementation of activities;
- over-budgeting, which suggests that the budget was drawn up incorrectly and that the funds were allocated to the project but could have been better used elsewhere
- problems of interpretation, which may lead to the rejection by the FO/ FMO of certain expenses
- too many modifications of the budget during the implementation of the project.

Key principles of the budget:

- the budget is a tool for financial compliance: this means that the amounts provided by the budget represent spending limits
- the budget is a tool of planning and control: it helps to control the expenses and verify the progress of the implementation of the project during the reporting period
- it is essential that the budget reflects as accurately as possible all the planned expenses according to the financed activities
- the budget will be reflected in the financial report: the actual expenses for the implementation of the planned and agreed objectives and activities will be presented in the financial report and will be compared with the initially estimated.

Annex 2 provides the format of the project budget. Recommendations regarding the preparation of the budget are:

- first of all, the documentation provided through this document must be read very well in order to comply with the eligibility rules and the types of eligible and ineligible expenses established, the minimum and maximum value of the grant, the percentage of co-financing, how the co-financing can be brought, etc.;
- the budget should be drawn up only after the project has been planned in the smallest details. Moreover, it must be drawn up together with the person who wrote the Application for funding and the person who is proposed to act as project coordinator, if these two are not one and the same person. Also, the financial manager of the organization must be part of the team that prepares the budget, because the personnel costs and the administrative costs cannot be estimated correctly on sources of financing, not having the overall image of the organization;
- the budget must be clear and easy to follow; each activity must have a reflection in the project budget;
- the human resources are budgeted as a percentage with the activities that each member of the project team has to

complete;

- the indirect costs are budgeted proportional with the need of the project. Do not forget about the administrative expenses, which are recommended to be determined by decision or methodology, taking into account the space required to carry out the activities, the number of people involved in the project;
- expenses related to bank commissions, local transport, are often forgotten from the budget;
- the project budget will use the same classification of expenses according to the provisions of direct expenditure section from this document.

- **GENERAL PRINCIPLES ON THE ELIGIBILITY OF COSTS**

Eligible expenditures of projects are those actually incurred by the project promoter and/or the project partner, which meet the following criteria:

a. they are incurred between the first and final dates of eligibility of a project as specified in the grant contract

The expenses are considered to be **incurred** when the following conditions are met:

- **the cost has been invoiced** - the invoice/ accounting document with equivalent value must be issued by the supplier on behalf of the promoter and/or the project partner and registered in the analytical accounting of the project;
- **the invoice was paid** - the invoice/ accounting document with equivalent value must be paid by the project promoter or partner and the payment recorded in the analytical accounting of the project;
- **the subject matter was delivered** (for goods) **or performed** (for services and works).

The first and last eligibility date will be specified in the grant contract. The costs within the projects may be eligible from the date on which the contract is awarded or at a later date established in the grant contract. Also, the last date of eligibility of the costs that will not exceed **31 January 2024**, will be mentioned in the grant contract. The costs committed after this date are not eligible.

Exceptionally, the costs for which an invoice was issued in the last month of the project are considered to be eligible, if they are paid within 30 days from the last eligibility date.

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

Example 1:

The last date of eligibility defined in the grant contract: August 30, 2023

Date of the invoice	August 10, 2023	
Invoice payment date	August 30, 2023	Eligible cost
Invoice payment date	August 31, 2023	Ineligible cost

Example 2:

The salary remunerations for the last month of the project which are paid in the following month are eligible if they are within the 30 days from the end of the project.

b. they are connected with the subject of the grant contract and they are indicated in the detailed budget of the project

An estimation of all eligible expenditures must be set out in detail in the project budget.

The eligible costs involved may not exceed the amounts from the approved budget. Any justified changes must be notified to the FO as soon as possible.

The inclusion of a cost in the project budget and approved by the FO cannot be considered as a precondition of its eligibility. For a cost to be eligible it must meet all other eligibility criteria and be justified by an invoice or alternatively by an accounting document with equivalent probative value.

c. they are proportionate and necessary for the implementation of the project

The costs must be reasonable and justified. In this regard, each item of expenditure must be:

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

d. they are used for the sole purpose of achieving the objective of the project and its expected outcome(s), in a manner consistent with the principles of economy, efficiency and effectiveness

All resources will be used:

- for **the sole purpose of meeting the objectives of the project which means** that the only reason why an item of expenditure has been included in the budget is its contribution to the achievement of the project objectives;
- in accordance with the principles of sound financial management, namely, in accordance with the principles of **economy, efficiency and effectiveness**.

The economy, efficiency and effectiveness, the "3E's" define a value of money and can be described as follows:

Economy - *we spend less*: minimizing the costs of used or requested resources (contributions)

Efficiency - *we spend well*: the relationship between the result of goods or services and the resources of their production

Effectiveness - *spend wisely*: the relationship between desired and actual results of the expenditure (results)

e. they are identifiable and verifiable, in particular through being recorded in the accounting records of the project promoter and determined according to the applicable accounting standards and generally accepted accounting principles

In order to be eligible, costs must be identifiable and verifiable, in particular by recording in accounting records, through analytical accounts/ cost centers, and be determined in accordance with applicable accounting standards and generally accepted accounting principles. There must be appropriate documentation to prove that all the expenses incurred are related to the Programme/ project. Expenses that are not based on supporting documents are not eligible.

The documentation must provide sufficiently strong evidence that the expenses meet all eligibility criteria.

The promoter must allow all entitled bodies to carry out on-the-spot audits and verifications, to examine supporting documents, accounting documents and any other documents relevant to the financing of the Programme/ project.

The supporting documents and records must be handy and filed so that the examination is easy, when checks or audits take place, and kept handy for a period of 3 (three) years from the date of approval by the FMO (The Financial Mechanism Office) of the final report of the Programme, and not of the final report of the project.

The internal accounting and auditing procedures must allow the direct reconciliation of the expenses and revenues

recorded in the project accounting with the amounts reported and the supporting documents.

Exceptionally, with reference to the expenses involved by the project promoters/ partners from the Donor States (Norway, Iceland, Liechtenstein), the proof of the expenses included in the financial report can 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 grant contract, the relevant law and national accounting practices.

In such cases:

- the financial report accompanied by the audit report will be accepted by the FO as sufficient evidence of the expenses involved, without the need to send copies of documents;
- the cost of the audit report is considered an eligible cost of the project, provided that it complies with the eligibility rules and is included in the project budget;
- at the request of the FO or the authorized bodies, the partner of the project will grant access to the supporting documents on the basis of which the audit report was issued;
- the certification process is governed by the **International Standard for Connected Services (ISRS) 4400 "Commitments to perform the agreed financial information procedures"** published by IFAC.

The report will describe the purpose and the agreed procedure of the engagement in **sufficient detail** to enable the reader to understand the nature and extent of the work done. ISRS 4400 also establishes useful standards for letters of commitment and reports on factual findings.

The audited annual financial statement and the audit report certifying the audit of the annual financial statements of an entity cannot replace the auditor's special certificate confirming that the costs claimed are incurred in accordance with the relevant legislation and national accounting practices.

f. they comply with the requirements of applicable tax and social legislation.

All expenses will comply with the tax and social insurance legislation applicable to the entity that incurred them.

The principles of eligibility set out above will be applied *mutatis mutandis* to all eligible expenditures (respectively for financing and co-financing, including in-kind contribution), carried out by the promoters and/or project partners.

- **DIRECT COSTS**

The eligible direct costs for a project are those expenditures which are identified by the project promoter and/or the project partner, in accordance with their accounting principles and usual internal rules, as specific expenditures directly linked to the implementation of the project and which can therefore be booked to it directly.

The following direct expenditures are eligible provided that they satisfy the eligibility criteria previous mentioned:

a. the cost of personnel assigned to the project, comprising actual remuneration including social security charges and other statutory costs as applicable, provided that this corresponds to the project promoter's and project partner's usual policy on remuneration

The salary cost of the personnel assigned exclusively to the project will be eligible at a rate of 100%. In all other cases, only the costs of the hours actually worked by the persons directly executing the tasks within the project may be eligible.

For a good implementation of the projects, the following positions are recommended to be included in the budget for all types of projects: project manager and financial manager. They will be employed with individual labor contracts signed for a relevant period of time from the implementation of the project.

Example: Hourly calculation - personal costs:

Type of labor contract	Full time (8 hours/day)	Part-time (4 hours/day)	Part time (150 hours/month)
No. of months/ year	6	6	6
Total working days of the year (sum of working days for the months of the year)	126	126	126
Workload in the organization (in hours/ day or hours/month)	8	4	150
Type of workload distribution	Hours/day	Hours/day	Hours/month
Total working hours in year (hours/ day x total working days/ year or hours/month x no months/ year)	1,004	502	900
Total monthly cost related to the workload (including leave, other legal wage costs, employee and employer contributions)	€ 2,000	€ 2,000	€ 2,000
The total salary cost within a year (including leave, other legal wage costs, employee and employer contributions), according to the usual remuneration policy of the promoter/ partners (monthly salary cost x no. months/ year)	€ 12,000	€ 12,000	€ 12,000
Hourly rate/ hourly wage cost to be taken into account when budgeting	€ 11,95	€ 23,90	€ 13,33
Total working hours required for the project during the involvement period (suppose that the period of involvement in the project is 6 months and that a involvement of 1/2 of the total workload in the organization is required)	502	251	450
Total salary cost related to the project	€ 6,000	€ 6,000	€ 6,000

The following **principles** will also be taken into account:

- existence of an individual employment contract, an addendum or a decision to appoint a clear reference to the project to avoid ambiguity, especially if a staff member is hired to work exclusively on the project;
- in case of any differences of hourly rates between the project budget and the individual labour contract, the contract rate prevails and should be applied when calculating the personnel costs incurred. Thus, for estimating the wage costs related to the positions to be budgeted, one should take into account the hourly rates for identical or equivalent positions that correspond to the usual policy of remuneration of the personnel of the promoter and/or of the project partner and which can be found in the individual labour contracts. If the hourly rate will be higher in the project budget compared to the individual employment contract, the hourly rate in the employment contract will be considered as the eligible expense and if the hourly rate will be higher in the individual employment contract compared to the budget for the project, it will be eligible within the budgeted hourly cost limit. If there are fluctuations in the cost of the individual labour

contract and the salary status in correlation with the budgeted hourly cost, which come from the variation in the number of working days in the month or other wage costs granted under the conditions of the law, they are accepted provided that they comply with the principles of eligibility of expenses and at the end of the project there is no exceedance of the total budgeted cost for the position within the project;

- the extra hours can only be accepted exceptionally (occasionally), provided they are necessary for the project, well justified and shortened according to the usual policy of the entity and the national legislation. The systematic overtime payments do not comply with the Program's requirements regarding proportionality and sound financial management established by the eligibility criteria of the expenses;
- any additional benefits (e.g., monthly transport costs) must be directly related to the salary payments, hired and paid in accordance with the employment contract or the relevant national law, proportionate and necessary for the implementation of the project;
- indirect expenses, daily allowances and any other related travel costs cannot be included in this category of expenses;
- the working hours must be recorded during the entire project period on time sheets for the project or through a system of keeping track of the hours worked properly and properly justified by the real and reliable evidence. The time sheets of the personnel assigned to the project must be signed, reviewed and approved by the direct supervisor (for example, the project manager). If, within the same organization, a person assigned to the project works for several projects during the same period, an overview will be maintained and a centralized monthly timetable will be submitted containing the records of the hours worked on each of the projects in which that person is involved. This practice has the role of assuring the organization that there is no possibility that the work provided by the personnel assigned to the project will be financed twice (double financing);
- sufficient supporting documents must be kept that attest the observance of the national social and fiscal legislation.

The position from the individual employment contract should be equivalent to the position within the project.

In the case of the Partners public entities, the grant can only cover the additional costs resulting from the involvement in the project. The costs with the personnel of the Partners public entities cannot be covered from the grant provided if they are financed from the state budget, from the local budget or from other financing.

The in-kind contribution in the form of voluntary work must be included in the project budget and may be provided only by the Applicant and/or project partner/s. The in-kind contribution must comply with the general principles on the eligibility of expenditures.

For the calculation of in-kind contribution in the form of voluntary work, the Applicant and project partner/s will take into account the actual time allocated for the implementation of the project (in hours/month) and the price/hour shall be set in the range of the minimum gross hourly wage in Romania and the average gross hourly wage in Romania (valid at publishing date of the Call - 2022), including the employer's social contribution, depending on the character of the delivered work. The Applicant should provide justification for establishing the corresponding price of the voluntary work hour. For 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.

Example 1:

The hourly cost for the volunteer will be chosen according to the type of work performed:

- the volunteer who has responsibilities/ tasks to distribute leaflets, can be included in the budget with an hourly cost corresponding to the minimum gross hourly wage;
- the volunteer who has responsibilities/ tasks of a doctor, psychologist etc., can be included in the budget with an appropriate hourly cost up to the average gross hourly wage.

For choosing the unit cost there must be an eloquent calculation, which must be made available to the Fund Operator.

Please note that the in-kind contribution cannot be provided by a staff member who has, at the same time, an individual employment contract concluded with the Applicant or project Partner/s for the same type of responsibility.

Example 2:

As part of the project, the Applicant organizes an awareness campaign for the general public that take place on Sunday. Personnel costs that work during this event CANNOT be considered as an eligible contribution in-kind in the form of voluntary work. The personnel costs involved in the preparation of this event during regular working hours cannot be considered eligible in the form of voluntary work. The volunteer can provide voluntary work to prepare the campaign during the week and on the weekend.

A person who has a labour contract cannot have a volunteering contract within the same project (e.g.: an individual labour contract with the Applicant and a voluntary contract with one of the partners or vice versa) for the same types of responsibilities.

The voluntary work must be identifiable and verifiable: the voluntary work must be recorded throughout the project by timesheets or a suitable system of time record and properly justified.

b. travel and subsistence allowances for personnel and volunteers taking part in the project, provided that they are in line with the project promoter's and project partner's usual practices on travel costs

The following categories of expenses can be budgeted:

- accommodation expenses for own staff and volunteers;
- transportation expenses for own staff and volunteers;
- per diem for own staff; meals for volunteers;
- other travel expenses for own staff and volunteers

The following principles will apply to travel and subsistence costs:

- the trip must have a clear connection with the project and be supported by the staff or volunteers of the entity;
- no expenses covered by the daily allowance will be eligible in addition to its value;
- the amount of the daily allowance must comply with the relevant national legislation and the internal rules of the entity (if applicable);
- the principle of sound financial management will apply to the choice of transportation and accommodation;
- proof of costs for the costs involved will be made available. This will demonstrate the actual existence of the trip and its direct connection with the project (e.g., the travel agent's invoice, airline tickets, electronic tickets, boarding pass, table receipts, participants list, minutes, agenda, etc.);
- direct payment by a staff member or partner organization must be justified by a proof of reimbursement by the entity

Travel and accommodation costs of participants in trainings/ events should be budgeted and reported in the section "Costs with supplies and accessories" budget line Costs with participants (not subcontracted);

The non-taxable and taxable per diem will be budgeted on this line. In the case of the taxable per diem, we recommend that it be clearly distinguished from the salary on the salary statement.

c. cost of new or second-hand equipment

Only 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 budgeted and taken into account by the Fund Operator. The depreciation of the equipment (new or used) is eligible provided that the asset is purchased in accordance with the applicable rules for purchases and registered in the promoter/ partner accounting according to the generally accepted accounting principles applicable to the entity

and generally accepted for the articles of this type.

In the case of new or second-hand equipment purchased prior to the start of the implementation period and which have not yet been depreciated, its depreciation may be eligible under the following conditions:

- the equipment has been purchased based on procurement procedures compatible with the procurement rules applicable within the Programme;
- the depreciation shall be recorded in the promoter/ partner's accounting in accordance with the generally accepted accounting principles applicable to the entity and generally accepted for the articles of this type;
- only the part of the remaining depreciation that corresponds to the duration of the project and the actual use rate for the project purpose can be taken into account.

The following categories of expenses can be budgeted:

- depreciation of new or used equipment;
- depreciation of licenses necessary for the operation of new or used equipment;
- depreciation of software or licenses for software strictly necessary for the project activity (licenses for legislative software, accounting software and the like can be partially included in indirect costs);
- **exceptionally**, the full cost of new or used equipment, in compliance with the conditions listed in the following paragraphs.

Example 1 - depreciation of equipment

A promoter owns a piece of equipment that depreciates in five years and at the beginning of the project he has already used that piece for two years. Assuming that the equipment is used 100% for the project, the last three years of the life of the equipment represent an eligible cost of the project (assuming that the project lasts these three years), if, at the time of the purchase of the equipment, the procurement procedure was organized that respected the minimum requirements imposed by the FO.

Only in exceptional situations the Fund Operator determines that the equipment is an integral and necessary component for achieving the outcomes of the project, the entire purchase price of that equipment may be eligible.

Important! The entire purchase price of the equipment may be considered eligible only in the following cases:

- the equipment is the integral and necessary component for achievement of the outcomes of the project, as per the justification provided by the Applicant in the Application. Generally, this will not apply to equipment purchased when project implementation is advanced or at the end of implementation period;
- the conclusion of the Fund Operator in relation to the above is specified in the grant contract (the equipment is included in the approved budget);
- the project promoter and/or the project partner(s) must submit in the pre-contracting period a declaration by which are assumed the following obligations:
 - ✓ keeps the equipment in its possession for a period of at least five years after the completion of the project and continue to use the equipment for the general objectives of the project during the same period;
 - ✓ keeps the correct equipment insured against losses and/or in case of damage such as fires, theft or other incidents that can be normally insured, both during the implementation of the project and for at least five years from the completion of the project;

- ✓ sets aside adequate resources for the maintenance of the equipment for a minimum period of five years after the completion of the project.

If applicable, the full purchase price of licenses is also budgeted here.

The detailed means for the implementation of these obligations will be specified in the grant contract.

d. costs of consumables and supplies, provided that they are identifiable and assigned to the project

Costs for consumables are considered eligible if:

- they are identifiable and attributed to the project;
- the consumables and/or goods were purchased in accordance with the applicable procurement rules.

Travel and accommodation costs of participants in training/ events must be budgeted and reported in this category.

All assets, including equipment and supplies must be:

- safely stored and used for the intended purpose from the project;
- legally and physically identified (e.g. through stickers, labeling numbers, etc.); The following expenditure categories, without being limited to, can be budgeted:
 - supplies and consumables needed to carry out the project activities;
 - expenses for transportation and accommodation of participants (who are not subcontracted);
 - expenditure on goods/ inventory items;
 - protocol expenses;

e. costs entailed by other contracts awarded by a project promoter for the purposes of carrying out the project

The costs incurred by the project and which are generated by other contracts awarded by the project promoter, are considered eligible if:

- contracts are awarded by the project author for the purpose of project execution;
- the award follows the appropriate procurement rules;
- the contract is signed during the eligibility period (the procurement procedure cannot be launched before).

Important! The costs involved by a project partner CANNOT be considered as subcontractors.

Examples of costs that can be budgeted:

- experts contracted by copyright or PFA contract (the travel cost of the experts will be included in the value of the contract);
- other subcontracted services (organizing events, service packages, Facebook promotion costs, Google promotion costs, etc.);

f. costs arising directly from requirements imposed by the grant contract for each project

The costs that come directly from the requirements imposed by the project are considered eligible if:

- the requirement is clearly specified in the grant contract;
- they were purchased according to the applicable procurement rules of the ACF Programme.

The following expenditure categories, without being limited to, can be budgeted:

- costs with the project audit **only** for foreign partners,
- information, publicity, translations, specific evaluations that result directly from the requirements imposed by the grant contract;
- bank fees, for the account(s) related to the project provided that they are specified in the grant contract;
- other expenses directly generated by the grant contract.

Important! For the procurement and award of contracts within the Programme and projects, the applicable procurement procedure will be respected.

For purchases with a value of 5,000 Euro or higher, the project promoter/partner shall invite at least three suppliers/service providers to submit offers. The contract should be awarded to the bid offering the best value for money or the lowest price (as appropriate). The entire selection procedure should be documented.

- **INDIRECT COSTS**

Indirect costs are all eligible costs that cannot be identified by the project promoter and/or the project partner as being directly attributed to the project but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project. Indirect costs of the project shall represent a fair apportionment of the overall overheads of the project promoter or the project partner. They may not include any eligible direct costs. Project promoters and project partners may apply a flat rate of up to 15% of direct eligible personnel costs to cover these costs.

In this case:

- the overall percentage and the maximum amount must be indicated in the project budget and in the grant contract;
- the promoter and/or the project partner(s) must be able to demonstrate that the percentage applied represents a correct allocation of the costs from the total of the indirect costs of each of them. For the distribution of indirect costs, it is mandatory for the entire duration of implementation of the project the Promoter and/or Partners to have a methodology based on which to define the appropriate calculation formula for the distribution of indirect costs within the project and the percentage resulting from the application of the calculation formula. The methodology will be submitted with the financial report;
- the agreed percentage should be applied only to the eligible personnel expenses (employees with individual labour contract) reported in each financial report;
- cannot be allocated to the project expenses related to indirect costs in proportion to 100% of the value of each supporting document (invoices, receipts, tax receipts, salary cost for administrative staff, etc.) For example, the value of the invoice for electricity related to a month of project implementation will not be 100% eligible, but only the value resulted by applying the percentage from the methodology on the total value of the invoice or will not be eligible 100% from the value of an invoice through which cleaning products were purchased for the office/ office in which the activity is carried out. Also, the cost per object (individual invoices) is not allowed in this category of expenses (e.g., it will not be eligible 100% of the value of an invoice through which a yala was purchased for the door of the premises where the activity is carried out, etc.);
- the paid personnel/ staff budgeted and reported as direct cost, cannot be partially included as an indirect cost, within the same organization;
- the promoters have the obligation to report the administrative costs in detail but they do not have the obligation to justify them with documents attached to the financial report. For these, the promoters will only submit the methodology for calculating the indirect costs from which it will be shown that the formula chosen and the percentage of their distribution

within the project represent a correct distribution of the indirect costs. However, the FO may request documents related to indirect expenses, including accounting documents.

For the allocation of indirect costs, the following calculation formulas can be applied:

- the area used by the people involved in the project / the total area used by the whole department or organization
- number of hours worked in the project / total number of hours worked in the department or organization

If there are indirect costs that cannot be allocated using one of the formulas mentioned above, the project promoter or project partner(s) may use the most appropriate formula for the correct allocation of each type of indirect expenditure.

Examples of calculation of indirect costs

The stage of establishing the budget

Estimated amount of eligible costs with staff included in the budget project:	€ 20,000
Indirect costs flat rate proposed by the Applicant and agreed in the grant contract:	10%
Estimated total indirect costs budgeted for the project (10%*20,000):	€ 2000

The stage of financial reporting

The total amount of eligible costs with the reported staff involved during a defined reporting period:	€ 10,000
Indirect costs flat rate proposed by the Applicant and agreed in the grant contract:	10%
Total eligible indirect costs that will be reported during the defined period (10%*10.000):	€ 1,000

• **EXCLUDED COSTS**

2.5.4 Excluded costs

The following costs shall not be considered eligible:

- interest on debt, debt service charges and late payment charges (e.g., costs for loans taken in connection with the project, penalties / taxes related to late payment of invoices, penalties and interest for late payment of contributions and taxes to the state budget, etc.);
- charges for financial transactions and other purely financial costs, except costs related to the special accounts of the project requested by the Fund Operator, provided they are mentioned in the grant contract and the costs of the financial services imposed by the grant contract;
- costs related to purchase of land or real estate, costs related to the construction, reconstruction, renovation or refurbishment of a building;

- provisions for losses or potential future liabilities; exchange losses;
- recoverable VAT, according to the legal regulations in force;
- costs that are covered by other sources; fines, penalties (ex. fines imposed by public bodies due to the lack of security measures on the site of a building, parking fines, fines for late payment) and costs of litigation, except where litigation is an integral and necessary component for achieving the outcomes of the project;
- excessive or reckless expenditure (these must be taken in relation to the principle of eligibility of expenses according to which they must be "proportionate and necessary for the implementation of the project" - (e.g., business travel class, purchasing state of the art equipment where cheaper options would cover the same need);