

Factsheet N°9

Focus on In-kind contribution

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Table of contents

I. THE LEGAL FRAMEWORK	3
II. WHAT IS IN-KIND CONTRIBUTION	4
III. HOW TO DEAL WITH IN-KIND CONTRIBUTION	5
IV. CEILING OF IN-KIND CONTRIBUTION	7

I. The legal framework

Contributions in kind in the form of provision of works, goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made, may be eligible according to Article 69 of [Regulation \(EU\) No 1303/2013](#), which sets also some specific conditions.

One of the **key novelty** of the Interreg 2 Seas Programme for the 2014-2020 period is that in-kind contribution in the form of **equipment is eligible** if the requirements included in this factsheet are fulfilled.

Contribution in kind in the form of **unpaid voluntary work is still ineligible** in the framework of the Interreg 2 Seas Programme 2014-2020.

II. What is In-kind contribution

In-kind contribution is a break with the principle of 'real costs actually incurred by the partner'. According to the above mentioned legal framework, in kind contribution is:

- a) A contribution to the project
- b) Under the responsibility of a public or private beneficiary
- c) Fulfilling specific and precise conditions

The three above mentioned key points can be developed as follows:

1. Partners' contributions to a project can be of two types: in cash and in kind (¹). In-kind contribution of a given partner, if existing, is considered as part of its financial contribution to a project and cannot exceed the amount of its contribution.
2. In-kind contribution shall be managed under the responsibility of the official partners participating in the project. If the source of the contribution is from institutions/companies/bodies external to the project partnership, it must be clear that the final responsibility is borne by the official project partners receiving the in-kind contribution and that no ERDF can be paid to the external organisation providing the in-kind contribution.
3. In-kind contribution shall fulfil some specific and precise conditions. According to Article 69 of Regulation (EU) No 1303/2013, only certain types of contributions can be considered as "in-kind".

These three key points can be developed even further. Particularly:

1. As mentioned above, normally behind the in-kind contribution there is not always a specific and defined expenditure. In-kind does break with the 'real cost' principle. The core of in-kind costs is that no expenditure is actually incurred by the project partner. On the other hand, the beneficiary shall somehow secure these resources for implementing the project and this can be accepted as a partner contribution. Nevertheless, Art. 69(1) of Regulation (EU) No 1303/2013 clearly states that *"the public support paid to the operation which includes contributions in kind does not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation"*. This means that, for a given partner, the maximum amount of in-kind contribution allocated to the project cannot exceed the level of partner contribution of that partner.
2. In-kind contribution shall always be declared under the sources of the partner financial contribution to the project as well as a cost in the partner financial claims. The source of in-kind contribution can be internal (i.e. the project partner itself) or external (e.g. other organisations not partner of the projects). It does however need to be made clear that the project partner receiving in-kind contribution is responsible for holding the required justifying documents (e.g. an independent assessment of the value of these contributions).
3. In case the in-kind contribution is provided to a project partner by an external source, the in-kind contribution shall be considered as a donation to the project. This donation can come in several forms and once it is given it is of course "owned" by the project partner that receives the donation. The fact that there was no transfer of payment for this donation is the peculiarity of in-kind.

¹ Personnel working on a project and employed directly by a partner shall be considered as a contribution in cash (in fact, there is a real payment by the partner behind the declared cost). Personnel paid by external organizations but provided to the project for free shall be considered as in-kind contribution.

III. How to deal with in-kind contribution

According to Article 69 of Regulation (EU) No 1303/2013, in-kind contributions shall be eligible if:

- a) They consist of the provision of *works, goods, services, land and real estate*;
- b) Their value can be independently *assessed and audited*

In addition to this, in-kind contribution is considered eligible only if foreseen in the dedicated sections of the Application Form.

In the framework of the Interreg 2 Seas Programme, in-kind contribution can be budgeted and declared in the following budget lines:

- External expertise and services
- Equipment
- Infrastructure and works

In-kind contribution is eligible if it matches the conditions reported under Article 69 of Regulation (EU) No 1303/2013.

In-kind contribution in the forms of **professional and research work** is eligible under budget line “External expertise and services” if it consists in:

- Professional and research work paid by an external organisation (not partner in the project)

In-kind contribution in the form of professional and research work paid by an external organisation is eligible only if the work done **is not paid** (neither as an external consultant nor as internal employed staff) **by any organisation partner in the project.**

❖ Example – professional/research work

If a university professor works temporarily for a project but his salary is paid by its university (which is not a partner of the project), the costs of his work may be claimed by one of the project partners provided that no payment has been made to the university to cover this work. In this situation it is crucial to ensure compliance with public procurement law: the external service-provider (university) **is not going to receive any payment** for the professor’s work – his time represents a donation to the project!

In this example, the crucial element is that the project partners do not pay for the work done by the professor. The university has therefore paid for his time but **donated it** to the project. The project has never paid for it so there is no real cost incurred by the beneficiaries. The justification of the value of the In-kind contribution (real cost paid by the university) shall be available in case of audit.

In-kind contribution in the forms of **equipment** is **eligible** under budget line “Equipment” provided that the value of the contribution does not exceed the generally accepted price on the market and it can be independently assessed and verified. In-kind contribution in the form of equipment can be deemed eligible as far as the item of equipment was not previously paid or co-financed by European funds.

In-kind contribution in the forms of **real estate and land** needs to fulfil the following requirements:

- If the contribution consists in provision for free of a property used for managing and implementing the project, without any intervention by the project to ameliorate or change the nature of the property itself (such as, for instance, provision of a meeting room for a conference; provision of an office for project management; etc.), the in-kind contribution shall be accounted in budget line “External expertise and services”.

- If the contribution consists in provision for free of a property that is **fully or partly ameliorated or changed in its nature by the project** in the framework of an investment, the in-kind contribution shall be accounted in budget line “Infrastructure and works”. However, the three following elements must be taken into consideration:
 - In case the source of the contribution is internal (project partner), the value shall be certified by an independent qualified expert or duly authorised official body and shall not exceed the limit laid down in point (b) of paragraph 3 of Article 69.
 - In case the source of the contribution is external (not project partner), the object of the contribution (e.g. a real estate or a land) shall be donated to a given project beneficiary (Lead Partner or one Project Partner). A valid certificate proving that the property of the real estate or of the land has been signed over to that project beneficiary for a defined period of time must exist and be available for audit trail requirements. The value of the contribution provided for free to the beneficiary shall be certified by an independent qualified expert or duly authorised official body and shall not exceed the limit laid down in point (b) of paragraph 3 of Article 69 (i.e. the value cannot exceed 10% of the total project eligible expenditure).
 - In case of infrastructure or land in the form of in-kind contribution, if the provided asset or land are not exclusively used for the project purposes, only a share of their value can be claimed in the framework of the project. The share allocated to the project must be calculated according to a fair, equitable and verifiable method. The documents supporting the calculation method shall be available in case of control and audits.
 - In-kind contributions consisting in the public realm (i.e. the space between and within buildings that are publicly accessible, including streets, squares, forecourts, parks and open spaces) **are not eligible** in the framework of the Interreg 2 Seas Programme.

Contribution in kind in the form of **unpaid voluntary work is ineligible** in the framework of the Interreg 2 Seas Programme 2014-2020.

In-kind costs will always be declared by one of the project’s beneficiaries (Lead Partner or Project Partners) but their ultimate source could be outside the beneficiary organisation. It does however need to be made clear to the project’s beneficiaries that they are **responsible for holding the audit trail** on e.g. an independent assessment of the value of these contributions. What beneficiaries are really declaring is the value of a “gift” to their organisation for implementing the project. This “gift” can come in several forms (time, land, equipment, etc.) and once it is given it is of course “owned” by the beneficiary who is responsible for claiming the value of the in-kind contribution – but the fact that there was never any payment for this “gift” is the key element of in-kind.

Only project partners officially listed in the application form can **declare** in-kind contribution. In-kind contribution shall be considered as partner’s expenditure and shall be checked by a designated first level controller. The partner having declared in-kind contribution bears full responsibility towards all detected irregularities (even if the final source of the contribution is external to the project partnership).

In case the source of in-kind contribution is external, the beneficiary responsible for receiving the contribution shall establish a **written agreement** with the organisation providing the contribution. In the agreement, detailed arrangements for ensuring, in case of control and audit, the availability of all original documents supporting the reality and eligibility of the expenditure or the certification of its value must be established.

IV. Ceiling of in-kind contribution

As mentioned above, in-kind contributions of a given partner cannot exceed the amount of the partner contribution.

N.B.:

Particular attention must be accorded to the in-kind contribution declared by each partner at the end of the project. According to Article 69 of Regulation (EU) No 1303/2013: *"the public support paid to the operation which includes contributions in kind does not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation"*. For this reason, at the end of the project, if a partner has claimed, for instance, 100% of expenditure in the form of in-kind contribution, then the ERDF to be paid to the partner will be 0 €! **For the same reason, the Programme strongly recommends committing a considerable amount of cash in the partners' budget, otherwise a serious problem of cash flow and availability of money might be faced by the project.**

❖ Example - ceiling of in-kind contribution

One project partner has an initial Programmed budget as follows:

TOTAL	ERDF	Contributions		% ERDF
		CASH	IN-KIND	
600.000 €	360.000 €	140.000 €	100.000 €	60 %

At the end of the project, the partner does not spend the whole available budget and declares only the following expenditure:

Total declared expenditure	200.000 €
In-kind contribution	100.000 €

In this case, the total declared expenditure is within the Programmed budget and the total declared in-kind contribution corresponds to the amount foreseen at the beginning. Nevertheless, the declared in-kind contribution corresponds to **50 %** of the total declared expenditure. According to Article 69 of Regulation (EU) No 1303/2013, in this case the refundable ERDF will not correspond to 60 % of the declared expenditure but only to 50 % (i.e. 100.000 € of ERDF on a total declared expenditure of 200.000 €).