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Investing in rural people

Technical Note on In-kind Contributions

Note to Executive Board representatives

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Abbreviations and acronyms

AWPB	Annual Work Plan and Budget
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
PIM	Project Implementation Manual

Technical Note on In-kind Contributions

Recommendation

1. The Working Group on the Transition Framework is invited to analyse and subsequently endorse the main elements of this document, as contained in paragraph 8. It is intended that the main elements be incorporated into the related strategy, which will be finalized later in the year.
2. In addition, the Working Group is asked to endorse the main concepts introduced in this document, which reflect in-kind contributions in the context of the cofinancing strategy and which address:
 - A broad definition of the elements defining in-kind contributions, including tax exemptions. This definition incorporates considerations found in that of the OECD, but also contains broader factors and elements.
 - The different implementation arrangements to reflect in-kind contributions during a project's life cycle – from design to the implementation and completion stages, including systems that will reflect the monitoring and reporting of the in-kind contribution.
 - The proposed approach to enhancing transparency and public access to information as to how in-kind contributions support project implementation and reflect the ownership of governments and implementing partners, to mobilize domestic resources, including beneficiaries and the private sector, through parallel cofinancing.
 - The mitigation actions considered to address risks related to in-kind contributions.

I. Definitions

1. Borrower means a Member State that receives a loan and is designated as such in the financing agreement.
2. Entity means a project or programme that has been provided with financing by or through IFAD, by means of a loan and/or grant.
3. Eligible expenditure means project expenditures that may be financed under an IFAD-financed grant or loan pursuant to section 4.08 of the General Conditions for Agricultural Development Financing.
4. Financial engineering instruments refers to the fact that as part of an investment activity, the project may finance expenditure in respect of an operation comprising contributions to support financial engineering instruments for enterprises, primarily small and medium-sized, such as venture capital funds, guarantee funds and loan funds, and for guarantee or rural finance development funds.
5. In-kind domestic cofinancing or in-kind contribution is a non-cash contribution in the form of a good, work or service that provides support for both non-profit and for-profit organizations. It may consist either of the direct provision of a tangible asset to the project, or of an expenditure incurred directly by the contributor, benefiting the project and facilitating the meeting of its objectives. In-kind domestic cofinancing or contributions include: (i) goods; (ii) works; (iii) use of services and

facilities (for example, office space); (iv) professional services or expertise in the form of staff time; (v) provision of or access to equipment and special materials; and (vi) exemptions from tax that would otherwise need to be paid by the project in order to carry out its activities. In-kind contributions represent a stream and-or source of revenue, and although they are not monetary, they may represent a significant portion of the project's revenue.

6. Non-exchange transactions refer to the fact that an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without receiving approximately equal value in exchange.
7. Recipient means a Member State or other entity that receives a grant and is designated as such in the grant agreement.
8. Grant means a grant that is subject to the IFAD Policy for Grant Financing¹ and grants financed by supplementary funds,² as follows:
 - Type A grants, which are:
 - (i) Large grants (greater than and including US\$500,001 or equivalent);
 - (ii) Small grants (up to and including US\$500,000) that are assessed as medium- or high-risk, as determined by IFAD;³
 - (iii) EU-funded grants.
 - Type B grants, which are small grants (up to US\$500,000 or equivalent) that are assessed as low-risk, as determined by IFAD;
 - Type C grants, which are grants in any amount provided to United Nations agencies and multilateral development banks.

II. Introduction and scope

9. Increasingly, IFAD-financed projects assemble financing from different sources, including counterparts, beneficiaries and implementing partners, and from supplementary funds.
10. Note that while eligible expenditures for IFAD financing need to be incurred and paid by the transfer of assets, usually in cash form, it is foreseen that other types of project financing may be made in non-cash form, including in-kind contributions. These are in fact eligible to be considered as part of the total value of a project. It may be considered that project value is underestimated without a full attribution of non-cash contributions by government, beneficiaries and other stakeholders.
11. Based on the above, it is fundamental that – when material and relevant – in-kind contributions to projects be reported, in addition to cash contributions. This is for various reasons, including:
 - (a) When factored into the project budget, in-kind contributions provide the real and effective cost of a project;
 - (b) In-kind contributions may be the only or main contribution that a Borrower/Recipient is able to make to a project;
 - (c) In-kind contributions demonstrate to donors that Borrowers/Recipients of IFAD financing are significant contributors to projects;

¹ As approved by the Executive Board at its 114th session of 22 and 23 April 2015. Although subject to the Policy, contribution agreements – including micro-grants (up to and including \$75,000 or equivalent) – are not subject to financial reporting and audit requirements.

² Any specific provisions required by the donor in relation to financial reporting and auditing are reflected in the grant agreement.

³ Effective as of 1 January 2018, small grants assessed as either high- or medium-risk are considered Type A.

- (d) In-kind contributions will be included in the cofinancing ratio and will translate the real contribution of the Borrower/Recipient to the project, in addition to the contribution in cash.
12. Currently, in-kind contributions are not systematically recognized as part of the overall financing of IFAD-funded projects. This is for various reasons, including; (i) technical complexities in valuation and reliable measurement; (ii) the project and IFAD's historical lack of understanding of the importance of providing this data; (iii) uncertainty as to the effective implementation of this type of contributions; (iv) reluctance by auditors to provide their assurance as to amounts included in the financial statements; and (v) a lack of effective monitoring and reporting. Without reliable and timely reporting of these assets, it is not possible to fully ascertain a project's economic resources and activities, making financial statements imperfect and reporting of cofinancing incomplete.
 13. This technical note is applicable to directly supervised IFAD-funded projects and grants. Where supervision arrangements are in place with a cooperating institution (CI), IFAD will assess the CI's financial reporting and audit arrangements to ensure adequacy and alignment, to the extent feasible, with this technical note.

III. Objectives

14. This technical note will allow IFAD to enhance its capabilities as an assembler of development finance. It provides clear guidance at the design, implementation and auditing stages of the life cycle of a project as to the recognition, measurement and reporting of in-kind contributions as part of domestic cofinancing. It will allow a systematic monitoring of in-kind contributions and enhance IFAD's ability to fully report on the mobilization of these resources.
15. The purpose of this technical note is to provide guidance on the definition of cofinancing in kind, the criteria for eligibility, and its recognition, measurement and reporting in the financial reporting of IFAD-financed projects and grants.
16. This technical note provides the guiding principles and methods to be applied in the recognition, measurement, reporting and disclosure of in-kind contributions. It is expected that these will be embedded in related procedures to be used as of IFAD11 onwards by the IFAD workforce, including both operational and financial staff and consultants involved in the design and supervision of projects. It will also be a source for the provision of advice to projects and ministries in setting up accounting systems, manuals and financial reporting, as well as for auditors in performing their work. It is vital that the importance of systematically monitoring and reporting in-kind contributions be highlighted at the earliest stage in the project cycle, in particular so as to be included in cost tabs, negotiations and accounting systems and manuals, and auditors' terms of reference. It is expected that there will be individual cases where further consultation as to the method of valuation and reporting may be required. In such cases, methods of recognition, measurement and reporting should be agreed with the financial management focal point of the project (Financial Management Services Division).

IV. Recognition of in-kind domestic cofinancing

17. The contribution by an individual, unit or organization, of a service or product to an IFAD-funded project free of charge, is classified as in-kind contribution. All in-kind costs must be eligible, actual, evidenced and essential to the delivery of the project.
18. An in-kind contribution may be considered as incurred expenditure by government, beneficiaries or other implementing partners for the implementation of operations, under the conditions outlined below:
 - (a) The eligibility rules must be drawn up on the basis of the agreed AWPB and the project's costs;

- (b) The amount of expenditure must be material, relevant and duly justified by supporting documents having equivalent probative value to invoices, without prejudice to provisions set out in specific national regulations;
 - (c) In the case of in-kind contributions, the cofinancing from the contributor must not significantly exceed the total eligible expenditure planned for the project, when excluding the value of such contributions.
19. All in-kind contributions are recognized as assets and revenue when it is probable that the future economic benefits or potential service will flow to the entity and the fair value of the assets can be measured reliably.
 20. Goods in-kind are assets transferred to or used by an entity in a non-exchange transaction, without charge, but may be subject to stipulations. Examples may include:
 - (a) Tangible goods;
 - (b) Use of services and facilities;
 - (c) Provision of or access to equipment; and
 - (d) Special materials.
 21. Where "goods in-kind" are received or there is a binding arrangement to receive the goods without any condition, revenue is recognized simultaneously with asset recognition.
 22. Conditions attached to the goods do not affect the asset price, since market participants would not normally consider these conditions.
 23. "Services in-kind" are services provided by individuals and institutions to public-sector entities in a non-exchange transaction. Examples may include:
 - (a) Professional services provided by a third party who holds a recognized and relevant professional qualification;
 - (b) Expertise in the form of staff dedicated to the project by the borrower; and
 - (c) Tax exemptions.
 24. Considering the nature of the assets related to services in kind, and the fact that they are immediately consumed, a transaction of equal value should be recognized in order to reflect the consumption of these services in kind.
 25. An entity shall recognize a tax exemption as an in-kind contribution when the taxable event occurs and the asset recognition criteria are met. The reporting entity analyses the taxation law in its own jurisdiction to determine what the taxable event is for the various taxes levied. For example:
 - (a) The taxable event for value added tax is the purchase or sale of taxable goods and services during the taxation period;
 - (b) The taxable event for customs duty is the movement of goods or services subject to duty across the customs boundary.
 26. When a government provides an entity with the benefit of tax exemption or covers the taxes related to the purchase of goods, works and services, the amount related to the exempted taxes should be considered as the government's in-kind contribution.
 27. Exclusions: When activities do not address the specific objectives of a project, they should not be considered as in-kind contributions. These activities may include:
 - (a) Passive attendance at training courses, meetings, seminars and the like (which is to say, attendance with no input, as a member of the audience or group);

- (b) Provision of pre-existing data/expertise/knowledge/tools (i.e. not generated over the duration of the project) that are publicly available free of charge; and
 - (c) Provision of all possible in-kind contributions items. If these are already paid, and the payment documents can be presented, provided that the purchase date is within the project duration. (As such, these items are then treated as cash cofinancing).
28. An in-kind contribution in respect of financial engineering instruments should be treated as expenditure paid at the time of the constitution of the fund(s), in those cases in which all of the criteria listed in (a), (b) and (c) below are met:
- (a) They consist in the provision of land or real estate, equipment or materials; research or professional activity or unpaid voluntary work (including unpaid professional services);
 - (b) Their value can be independently assessed and audited;
 - (c) In the case of the provision of land or real estate, the value is certified by an independent qualified valuer or duly authorized official body;
 - (d) In the case of unpaid voluntary work, the value of the work is determined taking into account the amount of time spent and the normal and reasonable hourly and daily rate for the work carried out.
29. Discounted sales of equipment and the discounted provision of services or advice (e.g. solicitors, accountants' or small and medium-sized enterprises staff time) are ineligible.

V. Measurement of in-kind domestic cofinancing

30. In-kind contributions should be recognized at fair market value. "Fair market value" is defined as the agreed-upon price in an open and unrestricted market between knowledgeable and willing parties who are dealing at arm's length and who are fully informed. The fair market value is the price an entity would be expected to pay in such circumstances, after normal and educational discounts.
31. Tax exemptions should be recognized at their market value, which is equal to the gross amount of taxes corresponding to the goods or services purchased.
32. Legal restrictions fall into one of two categories – those that affect the entity, and those that affect the asset. Legal restrictions that affect the entity – such as a limitation prohibiting the sale of the goods – do not impact the underlying assets' fair value, because a hypothetical buyer would not consider them in a purchase decision. On the other hand, legal restrictions that limit the sale of contributions in kind to certain markets may affect the assets' fair value. For example, government vehicles put at the disposal of the project for the limited time of the project's implementation will limit the use of the vehicles, and this would be taken into consideration by a hypothetical buyer, thus potentially affecting their value. Projects should consider any legal restrictions that affect the asset when making fair value determinations.
33. In all cases, it is fundamental that the basis of measurement be determined in advance of recording and reporting, as it will be subject to external audit. Advance consultation may be made with the auditors, where relevant, or advice sought from IFAD, in order to facilitate a smooth audit process. Elements of valuation are contained in annex I.

VI. Reporting and disclosure of in-kind domestic cofinancing

34. It is the ultimate responsibility of the project to ensure that the reported fair market value for all items involving an in-kind contribution be reasonable and correctly and fully disclosed in its financial statements.
35. The Project Implementation Manual (PIM) shall include clear guidelines that describe the accounting principles and methods used, to ensure that the value of in-kind cofinancing is accurately and timely stated. The basis and method of evaluating in-kind contributions shall be compliant with internationally recognized accounting standards and should be disclosed in the project's audited financial statements. It should be noted that in the event that national standards are used, the auditors will need to ensure the appropriateness of such treatment, in line with the underlying basis of accounting used in the project's financial statements.
36. An entity is encouraged to develop detailed and transparent valuation policies. An entity should seek valuation methodologies that exercise reasoned judgment in their interpretation of the "fair value" concept and their selection of source data when determining values. All relevant supporting documents that certify the value of in-kind contributions should be prepared by the project team and filed, in order to provide a clear audit trail.
37. The amount of the in-kind contribution should be reported according to the accounting principles agreed upon by the cofinanciers in the legal agreement or by-laws of the country. These principles may rely on the cost actually incurred by the contributor, or on standard cost equivalents defined, in order to ensure fairness among partners.
38. Drawing on the underlying principles in IPSAS accrual basis and IFRS, an entity shall disclose the following in the general purpose financial statements, either on their face or in the respective notes:
 - (a) The amount of in-kind contributions or revenue from non-exchange transactions recognized during the period, by major classes, with taxes and transfers shown separately;
 - (b) The amount of receivables recognized in respect of non-exchange revenue;
 - (c) The amount of assets recognized that are subject to restrictions, and the nature of those restrictions.
39. An entity shall disclose the following in the notes to the financial statements:
 - (a) The accounting policies adopted for the recognition of in-kind contributions or revenue from non-exchange transactions;
 - (b) For major classes of in-kind contributions or revenue from non-exchange transactions, the basis on which the fair value of inflowing resources was measured;
 - (c) For major classes of taxation revenue that the entity cannot measure reliably during the period in which the taxable event occurs, information about the nature of the tax; and
 - (d) The nature and major classes of in-kind contributions received by the entity related to the funded project.
40. If the entity applies the IPSAS cash basis, all the information mentioned in paragraphs 30 and 31 and related to in-kind domestic cofinancing should be disclosed in the notes to the financial statements.

VII. Risks related to in-kind domestic cofinancing

41. At design level and during the project's implementation, the finance officer, in collaboration with the project team, should regularly assess the related risk in order to monitor the timely and correct allocation of in-kind contributions.
42. Several typologies of risks can affect the recording and reporting of the in-kind contribution and its role in enhancing the project's performance, such as: risks related to the environment; scientific and technical risks; risks concerning manufacturing; and human and organizational risks. Annex IV of this document includes some guidance regarding the types of risks to be considered and monitored during the project life cycle.

Elements of valuation of in-kind domestic cofinancing

In-kind contribution category	Eligible elements in fair value calculation	Non-eligible elements in fair value calculation	
Goods in kind Fixed Assets	Use of land	<p>If the contribution of land is within the project implementation period and is sufficient to fully reach the planned results and impact, the full price of the land plot may be shown, supported by official document or data with evidence of the price (Land Registration Certificate; Department of Statistics or other official institutional document). If the contribution of the land is only for the duration of the project, use the official rent price per month, multiplied by the number of months. Price calculation should be supported by official documents and/or rental agreement, or evidence of actual use by the project or other similar documentation.</p>	If the use of land is not exclusive to the project, only that part dedicated to the project should be reflected in the cost used to value the contribution.
	Use of vehicles	<p>Average cost per month or day at the official rent; price specific for that locality, multiplied by the number of days/months used,</p> <p>Amortization of the vehicle is calculated as follows:</p> <ul style="list-style-type: none"> • subtract the fuel cost per km from the UN/national official rate used for private travel in that country per km; • multiply the number by the approximate number of km to be driven during the project. <p>If fuel is also shown as in-kind, use the full cost at the UN official/national rate for private travel per km, multiplied by the total distance driven during the project.</p>	
	Equipment, materials and supplies (for example, computer and electronic communications, plant and machinery)	<p>If the contribution is with used equipment, materials and supplies, they are to be valued at:</p> <ul style="list-style-type: none"> • fair market value; • Institution book value. <p>If the contribution is with new equipment, materials and supplies, they are to be valued at:</p> <ul style="list-style-type: none"> • the selling price to most-favoured customers (if stock item); • cost of manufacture (if one-of-a-kind). <p>If with loaned equipment, material and supplies, valuation is to be based on:</p> <ul style="list-style-type: none"> • rental equivalent based on depreciation; • rental equivalent at highest-volume rate. <p>If the use is partial, straight-line depreciation of the full cost of the asset for the duration of project</p>	<p>Equipment, material and supplies at list price or discounted list price</p> <p>Rental equivalents exceeding accepted values had the equipment been donated or sold</p> <p>Development costs</p>
	Use of buildings, meeting rooms, spaces or facilities	<p>Donated meeting rooms, space or facilities for which a rental fee is usually charged. The space used should be specifically related to and necessary for the project.</p>	

In-kind contribution category	Eligible elements in fair value calculation	Non-eligible elements in fair value calculation	
Goods in kind Intangible Goods		Development costs of new software and new technologies that go beyond the scope of the project	
	Use of software, new technologies and databases	Market price of asset/software for project duration	
		Cost of purchasing licences needed for the project, if not already provided by the institution	
		Development cost of new technologies related to the project	
	Dissemination of results	Cost depreciated over the duration of project	
	Travel and subsistence costs	<p>Reasonable out-of-pocket travel and subsistence expenses for work that is directly devoted to the funded project.</p> <p>Use of air miles points to pay for travel and subsistence.</p> <p>Reasonable conference travel costs related to the funded project.</p> <p>Conference registration fees, or a proportion of these fees if only part of the conference focuses on issues or topics related to the project.</p>	Costs to cover conference fees, travel, hotels, food, etc., to attend events, meetings, etc. that are unrelated to issues or topics related to the project.

In-kind contribution category	Eligible elements in fair value calculation	Non-eligible elements fair value calculation
Services in-kind	Employees' salaries	<p>Actual portion of salary cost of the staff assigned to fulfil duties specifically related to and necessary for the project.</p> <p>Salaries and expenses of management activities not directly related to the project.</p> <p>Payments to the project director, co-applicants and/or collaborators as consulting fees (additional to basic salary).</p> <p>Salary and expenses for administrative support staff.</p>
	Labour such as professionals, experts, volunteers, workforce from the beneficiaries	<p>Fees for consulting and/or technical expertise directly related to the funded project at daily market rates in the country or area, calculated per day or per month, for example, number of days x market value per day</p> <p>Fees not related to the project</p>
	Partner remuneration	<p>Salary and benefits of partner institution employees (not those of the host institution) when they undertake activities related directly to the project</p> <p>Overhead based on the salary and benefits of partner institution employees.</p>
	Faculty remuneration	<p>Actual costs to the institution for release time from teaching duties (for example, the cost of hiring a sessional instructor for course release may be counted).</p> <p>Payments to the project director, co-applicants and/or collaborators as consulting fees (additional to basic salary).</p>
	Tax exemption	<p>Total of taxation and tariff obligations forgiven.</p>

Example of in-kind domestic cofinancing at the design phase

1. During the design of the Resilient Land and Resource Management Project (RELAP) in West Bank and Gaza, the economist had developed ten models to represent the planned activities, organized under three main types of interventions: (i) resilient land development activities for orchards (four models); (ii) other resilient land development models: wadis, rangeland and integrated livestock system; and (iii) activities financed via grants: sheep breeding, bee-keeping and mushroom cultivation.
2. The models show that the total labour contributed by beneficiaries and valued at US\$14 per day (local wage) is worth US\$10.7 million (or 26 per cent of total project costs). If only the additional work required to implement IFAD's proposed activities is considered, then this represents 11 per cent of total project costs (as per table 1).

Table 1
RELAP EFA tables quantifying family labour

	PY1	PY2	PY3	PY4	PY5	PY6
Total family labour (USD)	-	705 514	1 695 271	2 490 888	2 911 959	2 922 956
Incremental family labour (USD)	-	1 020 307	314 793	674 964	1 470 581	1 891 652
Project costs (USD)						
Component 1	17 684	5 361 441	7 048 265	6 980 524	5 068 841	194 275
Component 2	208 724	3 140 185	4 370 591	1 487 538	151 429	3 308
Component 3	719 390	976 269	616 247	462 332	332 305	244 655
D. Project Management	751 858	590 890	624 025	598 236	608 628	815 057
Total costs (USD)						
	1 697 655.57	10 068 785.20	12 659 127.46	9 528 630.08	6 161 202.95	1 257 295.00
(A) Total Family Labour over project years usd	10 726 587			family labour per/day	60	NIS
(C) Total incremental family labour	4 604 746			family labour per/day	14.2	USD
(B) Total project cost USD	41 372 696					
A/B	26%					
C/B	11%					

3. These estimates could also be presented by type of activity, showing which intervention will require greater contribution from the beneficiaries.
4. On the other hand, government's contributions in terms of provision of services and facilities – such as the use of office space, provision of vehicles and seconded staff as well as tax exemption – should also be considered and quantified as in-kind contribution.
5. In the case of RELAP, the total government in-kind contribution was estimated at 16 per cent of total project costs.
6. This means that the total in-kind domestic contribution accounted for almost 27 per cent of total project costs, based on the conservative (incremental) estimate for the contribution from the beneficiaries of 11 per cent of total project costs, plus the 15 per cent from the government. Both contributions were presented in the Costab as reflected in table 2 below.

Table 2: Resilient Land and Resource Management Project (RELAP): Costab by components and financiers (US\$ '000)

	The Government in kind		The Government in cash		IFAD GRANT		OFID		GCF		Other entities		Beneficiaries in kind		Beneficiaries in cash		Village council		Total Amount	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
	Climate resilient land development																			
1. Climate adapted land development approaches	110	15.2	-	-	223	30.7	60	8.2	60	8.2	273	37.6	981	0.6	-	-	-	-	-	1 708
2. Resilient land development	3 389	16.0	646	3.1	1 160	5.5	845	4.0	8 810	41.6	2 106	9.9	3 619	17.1	604	2.9	-	-	-	21 179
3. Investment in agricultural roads	443	16.0	-	-	66	2.4	-	-	-	-	2 017	72.9	-	-	-	-	240	8.7	-	2 766
ibtotal	3 941	16.0	646	2.6	1 449	5.9	905	3.7	8 869	36.0	4 396	17.8	3 619	14.7	604	2.4	240	1.0	-	24 671
Market linkages for the rural poor																				
1. Rural bulking of agricultural products	682	16.0	-	-	1 269	29.8	-	-	-	-	2 312	54.2	-	-	-	-	-	-	-	4 263
2. Inclusive entrepreneurship development support	95	1.9	-	-	103	2.0	-	-	3 032	59.5	1 193	23.4	-	-	676	13.3	-	-	-	5 098
ibtotal	777	8.3	-	-	1 373	14.7	-	-	3 032	32.4	3 504	37.4	-	-	676	7.2	-	-	-	9 362
Public services for upscaling resilient agricultural land use	351	10.5	-	-	-	-	-	-	3 000	89.5	-	-	-	-	-	-	-	-	-	3 351
Project Management	1 483	37.2	520	13.0	1 744	43.7	44	1.1	99	2.5	99	2.5	-	-	-	-	-	-	-	3 989
tal PROJECT COSTS	6 552	15.8	1 166	2.8	4 566	11.0	950	2.3	15 000	36.3	8 000	19.3	4 600	11%	1 280	3.1	240	0.6	-	41 373
Government in kind contribution net of taxes	1 273																			
Government in kind contribution % of the total cost	3.1%																			

Example of in-kind domestic cofinancing in financial reporting

1. In-kind domestic cofinancing could be reported in the face of financial statements.
 - According to the International Public Sector Accounting Standards (IPSAS) cash basis, the in-kind contribution will be reported in the notes to the financial statements. The additional disclosures encouraged⁴ provide an example of disclosure in paragraphs 2.1.90(f) and 2.1.91.
 - According to the IPSAS accrual basis and IFRS, the in-kind contribution should be reported in the financial statements as assets (in the balance sheet statement) and non-cash income (in the profit and loss statement). Additional detailed information related to the accounting policies for in-kind contribution should be provided in the notes to the financial statements.
2. The notes to the financial statements of the Small Irrigation and Market Access Development Project in the Nippes and Goavienne Region financed by IFAD in Haiti show this reporting of in-kind domestic cofinancing:

"The Government of Haiti's in-kind contribution was identified and assessed as follows:

- The licence rights to use the financial and accounting software provided by the Ministry of Agriculture; the net value at the date of transfer of the right of use of the licence to the project was considered at fair market value. The annual amortization of the net value over the number of years of the project was considered to be annual in-kind contribution.
- The use of the Ministry's offices devoted full time to the project's implementation team;
- The use of office and IT equipment provided by the Ministry of Agriculture; the net value at the date of transfer of the right of use of equipment to the project was considered at fair market value. The annual amortization of the net value over the number of years of the project was considered to be annual in-kind contribution.
- The vehicles and equipment (cars and motorcycles used by the supervisors);
- The contribution in taxes: This contribution amounts to the total of tax exemptions granted to the project on the purchase of three vehicles and three motorcycles.
- The salary of staff dedicated part-time to the project: The use of timesheets to determine the actual time devoted to the project, considering total gross regular salary (without bonuses).

The table below summarized the cumulative in-kind contribution of the Government of Haiti for the period from 2015 to 2018:"

⁴ IPSAS: *Financial Reporting under the Cash Basis of Accounting*; Appendix additional Disclosure; November 2017
<https://www.iaasb.org/system/files/publications/files/Cash-Basis-IPSAS-2017.pdf>

Description	Amount in United States dollars
Licence for accounting and financial software	36 492
Office space	9 655
Office and IT equipment	15 700
Vehicles and equipment	50 355
Salaries of part-time staff	17 127
Tax exemptions	102 877
Total	232 206

Examples of risks related to in-kind domestic cofinancing

Category of risk	Description
Human and organizational risks	<ul style="list-style-type: none"> • Lack of experience and/or understanding on the part of the project manager and staff • High turnover of project manager and staff • Project team is unaware of codes, or regulations and lacks experience in quality assurance issues • Inadequate, weak or inconsistent procedures for internal controls • Missing or incomplete reporting to IFAD and auditors • Human conflict or poor negotiations with the contributors • Decision-making by the project team and steering committee takes too long • Dissemination of false or inaccurate information • Lack of transparency
Project execution risks	<ul style="list-style-type: none"> • Inadequate choice for a contribution/contributor • Unexpected withdrawal of the contributor from the project • Contributors' lack of motivation or reluctance to accept project alterations • Underestimation of the workload or contribution required to fulfil project requirements • Low level of the quality assurance systems, including those of a technical, accounting and reporting nature • Languages and cultural barriers that affect understanding of requirements • Legal issues and conflicts
Technical risks	<ul style="list-style-type: none"> • Project requirements are not clearly expressed or communicated • Missing or incomplete specifications • Difficulty in implementing due to procedural complications • Components and products that are not viable • Qualifications, official documentations, and required permissions are outdated or unsuitable
Environmental risks	<ul style="list-style-type: none"> • Instability of project requirements • Difficulties in partnerships and collaborations • Delays in procurement procedures • Regulatory changes, for example safety and environmental • Administrative and technical errors • Project acceptance by the social and human environment • Risk of incidents of a natural or political nature

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