

**IFAC-PSC**  
**Project Advisory Panel on Accounting for Development Assistance**

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Lic Xavier Nogales	Bolivia	Ministry of Economic Development
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Dr Mulu Ketsela	Ethiopia	State Minister, Ministry of Finance and Economic Development
Peceli Vocea	Fiji	Acting Dep. Secretary of Finance, Ministry of Finance and National Planning
Dr Wesley Hughes	Jamaica	Director General, Planning Institute of Jamaica
Dr Donald Kibera	Kenya	Director, Ministry of Planning and Finance
Sanjar Mukanbetov	Kyrgyz Republic	Director, Department for Investment Policy, Ministry of Finance
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**IFAC-PSC**  
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Ms Kathleen Muktan	Asian Development Bank
Ms Susan Goerans	European Bank for Reconstruction and Development
Ms. Lynnette Asselin	Inter-American Development Bank
Mr. Farook Uz Zaman	Islamic Development Bank
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**From:** kmoktan@adb.org

**Sent:** Tuesday, June 15, 2004 9:52 AM

**To:** Charles Coe

**Cc:** 'Farook Uz Zaman'; 'Susan Goerans'; imackintosh@worldbank.org; 'Lynnette Asselin'; Oladipo@worldbank.org; 'Ola Fajana'; Pbermingham@worldbank.org; psutcliffe@ifac.org; fahmed@adb.org; ntasanvaripour@adb.org; eyang@adb.org; tmellor@adb.org; eglennie@adb.org; yosonia@adb.org; fholgado@adb.org; dpurka@adb.org; mkroll@adb.org; wangfang@adb.org; pwijeratne@adb.org; vctan@adb.org; jjabes@adb.org; bwpark@adb.org; ppedersen@adb.org

**Subject:** Re:

Hi Charles

Just hoping that the international dateline works in my favor and that we get these comments in on time. According to my clock first think on the 15th in Manila is still the 14th in Canada? If not, then please incorporate in the next round of comments.

### **Specific Matters for Comment (Page1)**

#### Military assistance

As per ADB's charter military assistance cannot be provided by ADB loans. Therefore, for purposes of reporting clarify it is not advisable to expand the definition of development assistance to include military assistance.

#### IMF Loans

As IMF is likely to material, we would suggest that separate disclosure is probably appropriate. By disclosing it separately, it would appear that this will ensure transparency and clarity with respect to the national accounts and not open up debates as to whether or not balance of payments support is the same or different to budget support.

#### Disaggregation of Development Assistance from Humanitarian Assistance.

We support the proposal for separate disclosure of development assistance from humanitarian assistance for the following reasons:

\* All loans and technical assistance grants provided by ADB are categorized as development assistance and not humanitarian assistance. ADB does provides assistance to address natural disasters ( i.e. Gujarat Earthquake Rehabilitation Project, Cambodia Emergency Flood Project), or war relief ( post conflict loans to Afghanistan and Sri Lankan) but these are still categorized as development assistance. These are differentiated by other loans by the nature of processing the loan ( i.e. faster designing/approval of loans in the case of the mentioned natural disasters in Gujarat and Cambodia) and by concessionary loan terms for post conflict loans ( 40 years to maturity instead of 32 years, 10 years grace instead of 8 years and 1% interest throughout the loan instead of 1% during grace period and 1 1/2 % thereafter). Since these are loans evidenced by signed legal agreements and are considered development assistance by the lender it is appropriate to disclose such assistance separately from humanitarian assistance which are provided as grants. There is a grant element in the case of ADB's ADF loans given the concessionary rate of interest charges and the longer grace and amortization periods (as in the case of loans to Cambodia Afganistan and Sri Lanka loans mentioned above, however the loan to India for Gujarat Earthquake Rehabilitation is an OCR loan) All these are classified as loans by the lender.

\* Technical assistance grants are classified as development assistance and not humanitarian assistance by ADB

\* Technical assistance grants are not provided for humanitarian relief and are only provided in conjunction with a development objective/development project.

#### Disaggregation within Development Assistance and Humanitarian Assistance

We would support disaggregation by (i) financial format (although we would suggest that "financial modality" may be a more appropriate descriptor); (ii) class of donor; and (iii) purpose. At a minimum, we would suggest it necessary to disclose aggregate loans separately from aggregate grants as such disaggregation would provide information on the nature of the cost of assistance received by the country. With respect to disaggregation by donor, not sure if this would add sufficient additional information to the reader of the statements. It may be nice for the donors (from the perspective of being able to reconcile records between the recipient and donor), the question is whether this is necessary and/or desirable.

#### Matter 5 - Application of the Standard to Providers of Development or Humanitarian Assistance

The standard should also apply to providers of development assistance. Financial Statements of ADB as provided in the Annual Report provide details of development assistance by country by type of loan or grant ( i.e. OCR loan and ADF loan, and TA grants such as Technical Assistance Fund); by country by sector, etc.

#### Matter 6 - Transition Period

In view of the availability of information from development agencies a transition period may not be required. From the perspective of ADB's clients, the recipient can readily confirm its drawn and undrawn balances from ADB's monthly loan statements. However details of ADB administered technical assistance grants are not provided to governments these may have to be requested by the concerned governments. If a transition period is to be avoided, there would need to be full agreement on the part of donors/funding agencies to make the necessary information available in a required format and within a particular time frame. This could require a degree of effort on the part of both recipients and donors, the amount of effort will need to be assessed in determining whether or not a transition period would be prudent.

#### **Main Standard**

Scope Para 7: as indicated above, we would suggest that this standard be applied to providers of development assistance. For MDB's this is not an issue as we do not follow IPSAS, but more importantly, at least from ADB's perspective, details with respect to assistance provided are clearly indicated in the ADB's annual financial statements

Scope Para 8: We note that the standard is not to apply to Government Business Enterprises. ADB from time to time, will lend directly to a Government Business Enterprise, with a sovereign counter guarantee from the DMC (Powergrid of India for example). Would the Government be expected to record the guarantee as a contingent liability? How should this assistance be tracked by the Government and included in the national accounts?

Appendix 1: the sample appears to have been developed under the assumption that WB is the primary MDB, in that IDA credits are disclosed separately and details provided. In many cases, regional development banks are providing support in addition to the WB, it may be appropriate to have a RMDB (regional MDB line) for illustrative purposes.

Hope these comments are of some help...regards, Kathleen

"Charles Coe" <ccoe@canada.com>

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5/22/2004 8:03

cc: <Oladipo@worldbank.org>, <imackintosh@worldbank.org>, <psutcliffe@ifac.org>

Subject:

Dear Colleagues:

I am attaching the first draft of the International Public Sector Accounting Standard covering Accounting for Development and Humanitarian Assistance by Recipients. I am circulating the draft to you as members of the Project Advisory Panel (PAP). I appreciate the comments I received on the Key Decisions Questionnaire (KDQ) circulated earlier in the year. Your comments on the KDQ were circulated to the Public Sector Committee (PSC). Your comments together with guidance provided by the PSC during its meeting in March have contributed to the draft. The draft is being sent to the other members of the PAP and will be discussed at the OECD JV-PFM meeting in Paris on 8 and 9 July. In addition it will be discussed at the next PSC meeting 5 to 7 July in New York.

I would appreciate your comments by 30 June so that I can summarize them for the PSC meeting. Any comments I receive by 14 June will be included in the last circulation of material to the PSC on 15 June. Any comments received after 14 June will be circulated to the committee at their next meeting in the fall together with the next iteration of the IPSAS, regardless of whether those comments were summarized for the July PSC meeting. I assure you the committee will see and consider your comments.

Very kind regards

Charles



From: Charles Coe [ccoe@canada.com]  
Sent: Tuesday, June 15, 2004 12:35 AM  
To: 'FAJANA, O.E.'  
Cc: Pbermingham@worldbank.org; psutcliffe@ifac.org;  
imackintosh@worldbank.org  
Subject: RE: Public Sector Accounting Standard covering Accounting for  
Development and Humanitarian Assistance by Recipients

Dear Ola:

Thank you very much for the comments from the African Development Bank. These will be considered carefully and will contribute to the next Draft Exposure Draft. By a copy of this email I am forwarding your comments to IFAC for inclusion in the material being circulated to the Public Sector Committee.

I look forward to an opportunity to meet with you again. Please convey my regards to Jerry Mutonga.

Warm regards  
Charles

-----Original Message-----

From: FAJANA, O.E. [mailto:o.fajana@afdb.org]  
Sent: Monday, June 14, 2004 6:16 AM  
To: 'ccoe@canada.com'  
Cc: 'Pbermingham@worldbank.org'  
Subject: Public Sector Accounting Standard covering Accounting for Development and Humanitarian Assistance by Recipients

Dear Charles:

We welcome the proposed Accounting for Development and Humanitarian Assistance by Recipients. Once implemented, its provisions will enhance the transparency of financial reporting by governmental agencies. The proposed standard is sound, well researched and it broadly covers issues relate to the accounting for development and humanitarian assistance. We, however, have the following comments, on the proposed standard, for your consideration:

**SPECIFIC MATTERS FOR COMMENTS (PAGES 1-6):**

1. Military Assistance: The current broad definition of development assistance in this draft standard does not appear to encompass military assistance. Since many developing countries receive significant amounts of grants from developed countries to finance the purchase of weapons and military-related services and training, it may be prudent that recipient governments disclose separately such expenditures in line with the disclosure requirements of the draft standard. To this end the definition of development assistance need to be amended by, for example, amending it as follows: Development Assistance includes all resources (loans, grants, technical assistance or guarantees, etc) provided

directly or indirectly to an entity by a third party in support of the entity's economic development objectives including military assistance.

2. IMF Loans: The IMF loans fall within the definition of development assistance in the draft standard. Additionally, the standards' disclosure requirements should treat IMF funding similarly with other sources of developmental assistance.

3. Disaggregation of Development Assistance from Humanitarian Assistance: The separate disclosure of development assistance and humanitarian assistance is appropriate.

4. Disaggregation Within Development and Humanitarian Assistance Receipts: We suggest that the disaggregation of cash receipts be both by financial format of the assistance and by individual agency.

5. Application of the Standard to Providers of Development or Humanitarian Assistance: The standard should not apply to the providers of development and humanitarian assistance.

6. Transition Period: Due to weak financial management systems for debt management in most of our regional member countries, we suggest that a transitional period of about 3 years should be considered. This will allow developing countries governments reasonable time to formulate comprehensive national aid and debt policies and to strengthen the capacities of ministries and other agencies involved in aid and debt management through training and development of information technologies.

#### OTHER COMMENTS

7. Debt Arrears: The African Development Bank has devoted much attention to the rise in arrears among African nations. Other multilateral development institutions are similarly concerned about debt arrears. Although the standard has adequate disclosure requirements relating to undrawn Development Assistance no such requirements are provided for loans in arrears. Since some countries debt arrears are "enormous" it appears appropriate for disclosure requirements relating to debt arrears be considered.

8. Fees: A front-end fee is normally charged at loan signing, in accordance with commercial practice, to cover administrative expenses incurred by international financial institutions when developing and structuring a project loan. Annual commitment fees on undisbursed loans are also charged. The proposed standard will need to include, as information to be presented in the notes to the financial statements, conditions related to front-end fees and commitment fees on undisbursed loans if such charges are material. We, hope that these comments will be of value as you finalize the proposed standard.

Many thanks  
Ola Fajana