



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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DATE: 1 JUNE 2004
MEMO TO: MEMBERS OF THE IFAC PUBLIC SECTOR COMMITTEE
FROM: PAUL SUTCLIFFE
SUBJECT: ITEM 10 DEVELOPMENT ASSISTANCE

ACTION REQUIRED

The Committee is asked to:

- **note** the Progress Report;
- **review** the updated draft Exposure Draft; and
- **provide directions** for further development.

AGENDA MATERIAL:

	Pages
10.2 A proposed ED <i>Accounting For Development Assistance</i>	pages 10.3 – 10.36
10.3 Progress Report	pages 10.37– 10.41
10.4 Responses from Project Advisory Panel Members	Second Distribution

BACKGROUND

Charles Coe, the consultant, and Ian Mackintosh, the Chair of the Project Advisory Panel, attended the March 2004 meeting and discussed with the PSC the first draft Exposure Draft (ED, and responses of the Project Advisory Panel (PAP) to the Key Decisions Questionnaire (KDQ). The draft ED has been updated to reflect the PSC decisions in March 2004, and distributed to the PAP with a request for comment.

A Progress Report prepared by Charles Coe is included at Item 10.3. PAP responses to the updated draft Exposure Draft will be included in the second distribution of Agenda materials at Agenda Item 10.4.

Charles and Ian Mackintosh will be in attendance at the meeting and will lead discussion of the updated draft ED and PAP responses thereto. It is intended that at this meeting PSC members provide directions regarding any further revisions to the ED.

Charles and a PSC member (still to be confirmed) will attend a meeting of the OECD- JV PFM Committee, which includes PAP members, immediately following the July PSC meeting to make a presentation on the draft ED, provide PAP members with an update on any additional revisions agreed by the PSC at this meeting, and seek reactions from the PAP.

It is intended that the ED will be further developed to reflect PSC comments made at this meeting and be presented at the November 2004 PSC meeting for approval to issue. Additional comments from PAP members will also be provided to the PSC for its November meeting and will be considered in the process of finalizing the ED for issue.

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Financial Reporting Under The Cash Basis of Accounting

Accounting for
Development and
Humanitarian
Assistance
by Recipients

**Proposed International Public Sector
Accounting Standard**

DRAFT FOR COMMENT BY PSC PROJECT ADVISORY PANEL

DRAFT, MAY 2004

INTRODUCTION

Accounting Standards for the Public Sector

The International Federation of Accountants — Public Sector Committee (the Committee) is developing recommended accounting standards for public sector entities referred to as International Public Sector Accounting Standards (IPSASs). The Committee recognizes the significant benefits of achieving consistent and comparable financial information across jurisdictions and it believes that the IPSASs play a key role in enabling these benefits to be realized.

IPSASs are being prepared for application by entities adopting the accrual basis of accounting and for application by entities adopting the cash basis of accounting. This Exposure Draft proposes additional requirements for reporting under the cash basis of accounting.

The adoption of IPSASs by governments will improve both the quality and comparability of financial information reported by public sector entities around the world. The Committee strongly encourages governments and national standard-setters to engage in the development of its Standards by commenting on the proposals set out in these Exposure Drafts. The Committee recognizes the right of governments and national standard-setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. The Committee encourages the adoption of IPSASs and the harmonization of national requirements with IPSASs. Financial statements should be described as complying with IPSASs only if they comply with all the requirements of each applicable IPSAS.

The Committee encourages governments to progress to the accrual basis of accounting and to harmonize national requirements with the IPSASs prepared for application by entities adopting the accrual basis of accounting. Entities intending to adopt the accrual basis of accounting at some time in the future may find other publications of the Committee helpful, particularly Study 14 *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities 2nd Edition*.

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Due Process and Timetable

An important part of the process of developing IPSASs is for the Committee to receive comments on the proposals set out in these Exposure Drafts from governments, public sector entities, auditors, standard-setters and other parties with an interest in public sector financial reporting. Accordingly, each proposed IPSAS is first released as an Exposure Draft, inviting interested parties to provide their comments. Exposure Drafts will usually have a comment period of four months, although longer periods may be used for certain Exposure Drafts. Upon the closure of the comment period, the Committee will consider the comments received on the Exposure Draft and may modify the proposed IPSAS in the light of the comments received before proceeding to issue a final Standard.

Background

The first IPSAS covering the cash basis of accounting was issued in January 2003 and was entitled Financial Reporting under the Cash Basis of Accounting (Cash Basis IPSAS). Based on a request from the Multilateral Development Banks and the Development Assistance Committee of the Organization for Economic Cooperation and Development the Committee has undertaken to prepare an IPSAS covering Accounting for Development and Humanitarian Assistance by Recipients. During 2003 the Committee approved a project brief for the preparation of the IPSAS, approved the formation of a Project Advisory Panel (PAP) as well as approved a Key Decisions Questionnaire designed to stimulate discussion of the main points and issues by the PAP.

The PAP was formed in January 2004 and based on the results of responses to the KDQ the Committee, in March, considered and gave guidance to the further processing of an initial outline draft of the IPSAS.

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Purpose of the Exposure Draft

This Exposure Draft proposes requirements for accounting for development assistance by recipients that adopt the cash basis of accounting. It proposes additional requirements for those adopting the Cash Basis IPSAS, and will be issued as the second IPSAS in the Cash Basis series of IPSASs.

Request for Comments

Comments are invited on any proposals in this Exposure Draft by xx xxxx, 200X. The Committee would prefer that respondents express a clear overall opinion on whether the Exposure Draft in general is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the issues in the Exposure Draft. Respondents are also invited to provide detailed comments on any other aspect of the Exposure Draft (including materials and examples contained in appendices) indicating the specific paragraph number or groups of paragraphs to which they relate. It would be helpful to the PSC if these comments clearly explained the issue and suggested alternative wording, with supporting reasoning, where this is appropriate.

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Specific Matters for Comment

The Committee would particularly value comments on:

1. Military Assistance

Does the current broad definition of development assistance in this draft standard encompass military assistance and, if so, should military assistance be disclosed separately or, if not currently in the definition should the definition be expanded to include military assistance?

2. IMF Loans

The IMF provides loans mainly to address balance of payments or other financial crises in a country. IMF funds are primarily intended to stabilize a country's current account position and are usually used to assist in stabilizing the country's currency exchange rate. The domestic currency counterpart funds created by the transfer to the central bank of the foreign exchange borrowed by the government are usually sanitized or absorbed through the issuance of domestic bonds; they are not usually used to fund budget expenditures. While IMF funds are vital to stabilizing an economy, does the current definition of development assistance in this draft standard include IMF funding? If IMF funding is included in the definition and since IMF funding is usually material in monetary terms as well as in terms of financial significance, in terms of the entity's ability to meet its foreign exchange obligations, should it be disclosed separately in all cases? If IMF funding is not covered by the current definition should the definition be expanded to include IMF loans?

3. Disaggregation of Development Assistance from Humanitarian Assistance

This standard proposes the disaggregation of development assistance from humanitarian assistance. Development assistance is generally negotiated to cover longer periods of time than humanitarian assistance and addresses economic policy issues, the building of physical infrastructure, human resource development, etc in a manner which is intended to have a long-term effect on an economy. In many cases development assistance is provided as a loan with financial terms and conditions that are more concessional than commercial loans but include policy or other macroeconomic or

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microeconomic reform terms and conditions that are not typical of commercial loans. Development assistance is often provided over more than one financial reporting period and the development assistance agreement often remains in effect over many financial reporting periods. In addition, development assistance is often repeated in the same economic sectors of the recipient over a number of years and may be seen as sustainable support for the economy and for those specific sectors.

Humanitarian assistance is generally provided as a grant and usually does not include policy or other economic reform terms and conditions. Humanitarian assistance is usually provided to address an immediate humanitarian need such as natural disaster, famine or war relief. In some cases, humanitarian assistance will cease when the effects of the disaster have been mitigated. In other cases humanitarian assistance is sustained for a number of financial periods to address long-term humanitarian problems, long-term sustainability may or may not be evidenced by signed legal agreements.

This standard includes in its objective the disaggregation of accounting data for accountability purposes and to provide information about the sources of future cash receipts and the likely uses of those receipts as well as the sustainability of those sources of cash receipts. It therefore proposes separate disclosure of development assistance from humanitarian assistance in the financial statements or notes of the reporting entity. Do you agree with this separate disclosure of development assistance and humanitarian assistance?

4. Disaggregation Within Development and Humanitarian Assistance Receipts

The standard proposes disaggregating cash receipts into the main sources of cash. In the case of development and humanitarian assistance the disaggregation required by this standard is by major source of assistance. Should the disaggregation be:

- by financial format of the assistance, i.e. aggregate loans separately disclosed from aggregate grants,

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- by class of donor i.e. multilateral development assistance agencies, bilateral development assistance agencies, UN agencies or other sources,
- by individual agency i.e. the World Bank, World Health Organization, individual bilateral agencies, etc. or
- by the purpose for which the funds may be used as specified by the development or humanitarian assistance agreement i.e. general budget support, sector budget support, physical infrastructure, famine relief, refugee camps or conflict relief, technical assistance, etc.?

5. Application of the Standard to Providers of Development or Humanitarian Assistance

The standard applies to recipients of development and humanitarian assistance, should it also apply to providers of development and humanitarian assistance? If so, specific provisions would have to be added to the standard to address development and humanitarian assistance in the financial statements of the provider.

6. Transition Period

Although this Standard applies only to entities reporting financial results under the cash basis of accounting the note disclosure requirements include the opening and closing balances of unutilized development and humanitarian assistance as well as information about the effect of foreign exchange movements on undrawn development or humanitarian assistance.

Opening balances of unutilized development and humanitarian assistance may not be readily available in the recipient's records. Multilateral and bilateral agencies usually maintain detailed records of development and humanitarian assistance provided to each country and by each development and humanitarian assistance agreement. In some cases they maintain the information on computer data bases which are accessible by recipient country authorities. In most cases they provide notification of each transaction including the currency or currencies involved in the transaction. In some cases this confirmation is sent only to the implementing agency and may not be sent to the Ministry of Finance or other agency responsible for the recipient's accounting. Procedures that ensure the appropriate authorities in each recipient country receive the data necessary to

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properly account for development and humanitarian assistance need to be in place. Usually development and humanitarian assistance agencies periodically confirm drawn and undrawn balances with the recipient. Therefore although recipients may not have detailed information regarding opening and closing balances the amount should be readily available from development and humanitarian assistance agencies. Information about the currencies used in a transaction involving development and humanitarian assistance is usually included in the notification of the transaction and daily exchange rates between major currencies as well as exchange rates for the domestic currency of the recipient country against major currencies are readily available for accounting for transactions in foreign exchange.

In view of the availability of information from development assistance agencies, is a transition period needed?

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INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD IPSAS XX

Accounting for Development and Humanitarian Assistance by Recipients

The standards, which have been set in bold italic type, should be read in the context of the commentary paragraphs in this Standard, which are in plain type, and in the context of the “Preface to International Public Sector Accounting Standards”. International Public Sector Accounting Standards are not intended to apply to immaterial items.

Objective

The objective of this Standard is to prescribe the manner in which development and humanitarian assistance should be presented in financial statements prepared under the cash basis of accounting.

Information about the cash receipts, cash payments and cash balances of an entity is necessary for accountability purposes and provides input useful for assessments of the ability of the entity to generate adequate cash in the future and the likely sources and uses of cash. In making and evaluating decisions about the allocation of cash resources and the sustainability of the entity’s activities, users require an understanding of the timing and certainty of cash receipts and cash payments.

Compliance with the requirements of this Standard will enhance comprehension and transparent financial reporting of the entity’s development and humanitarian assistance cash receipts and current and future cash payment obligations for related debt as well as terms and conditions or covenants which determine current and continuing access to these cash receipts and the entity’s compliance with those terms and conditions or covenants.

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Scope

1. *An entity that prepares and presents its general purpose financial statements under the cash basis of accounting, as defined in the Cash Basis IPSAS, should apply this Standard in accounting for development and humanitarian assistance received or for which agreements have been entered into by the entity.*
2. General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their specific information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media and employees.
3. *This Standard requires that amounts settled on behalf of the entity by third parties be disclosed on the face of the Statement of Cash Receipts and Payments.*
4. *Where development or humanitarian assistance are material sources of total cash receipts, this Standard requires the disaggregating of receipts to disclose their major sources and it requires disclosure in the notes to the financial statements of any restrictions placed on access to cash receipts from development or humanitarian assistance.*
5. *This standard requires disclosure in the notes to the financial statements of goods or services received in-kind.*
6. *This standard requires the disclosure in the notes to the financial statements of the opening balance of undrawn development and humanitarian assistance, additional assistance approved or otherwise made available, assistance utilized or cancelled, foreign exchange adjustments and the closing balance of undrawn assistance. It also requires disclosure of material terms and conditions applicable to development and humanitarian assistance agreements and whether or not those terms and conditions have been complied with.*

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7. This Standard does not apply to providers of development assistance.
8. ***This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).***
9. The Preface to International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) explains that International Financial Reporting Standards (IFRSs) are designed to apply to the general purpose financial statements of all profit-oriented entities. GBEs are defined in paragraph 9 below. They are profit-oriented entities. Accordingly, they are required to comply with IFRSs and International Accounting Standards (IASs).
10. The International Accounting Standards Board (IASB) was established in 2001 to replace the International Accounting Standards Committee (IASC). The IASs issued by the IASC remain in force until they are amended or withdrawn by the IASB.

Definitions

11. ***The following terms are used in this Standard with the meaning specified:***

Bilateral Development and Humanitarian Assistance Agencies are agencies, established under national law, regulation or other authority of a nation for the purpose of providing that nation's development, humanitarian or other assistance to foreign nations or foreign nationals.

Cash basis means a basis of accounting that recognizes transactions and other events only when cash is received or paid.

Control of cash arises when the entity can use or otherwise benefit from the cash in pursuit of its objectives and can exclude or regulate the access of others to that benefit.

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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.

Fair Value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Government includes national, state/provincial, municipal and other levels of administration or their equivalents.

Government Business Enterprise means an entity that has all the following characteristics:

- (a) is an entity with the power to contract in its own name;***
- (b) has been assigned the financial and operational authority to carry on a business;***
- (c) sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;***
- (d) is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and***
- (e) is controlled by a public sector entity.***

Humanitarian Assistance includes relief for natural or manmade disasters, catastrophes or other unplanned events, is usually short term in nature and is provided directly or indirectly to the entity or to citizens of a country for their personal benefit or relief.

Materiality: information is material if its omission or misstatement could influence the decisions or assertions of users made on the basis of the financial statements. Materiality depends on the nature or size of the item or error

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judged in the particular circumstances of omission or misstatement.

Multilateral Development Assistance Agencies include all agencies established under international agreement or treaty for the express purpose of providing development assistance.

Multilateral Humanitarian Assistance Agencies include all agencies established under international agreement or treaty for the express purpose of providing humanitarian assistance.

Non-Government Organizations (NGOs) include all foreign or national agencies established independent of control by any government for the purpose of providing development, humanitarian or disaster assistance to government(s), government agencies or to individuals.

Re-Lent Development Assistance Loans means development assistance loans provided to one level of government which are lent by the first level of government to another level(s) of government or to a GBE.

Assigned Humanitarian Assistance Grants means grants provided to one level of government which are assigned by the first level of government to another level(s) of government or to a GBE.

International Public Sector Accounting Standard

Accounting for Development and Humanitarian Assistance by Recipients

Direct, Indirect and In-kind Receipts

- 12. *Development and humanitarian assistance received directly as cash by an entity should be recorded as cash receipts when the recipient gains control of the cash.***
- 13. An entity may receive development or humanitarian assistance in cash either as the proceeds of a loan or grant or as a transfer of budgetary resources. The cash received may be the full proceeds or a tranche of the loan, grant or budget transfer agreed or may be a reimbursement(s) of qualifying payments made by the entity as defined by the loan, grant or budget transfer terms and conditions.**
- 14. *Development or humanitarian assistance received indirectly by an entity as a result of a third party directly settling in cash an obligation(s) of the entity or purchasing with cash goods or services for the benefit of the entity should be recognized as cash receipts when the entity has been formally advised by the third party or the recipient that such payment has been made or has otherwise verified the payment.***
- 15. Where a government manages the expenditures of its individual departments and other entities through a centralized treasury function or a “single account” arrangement, payments are made on behalf of those departments and entities by a central entity after appropriate authorization and documentation from the department or other entity. However, the department or other entity benefits from the payments being made on its behalf, and knowledge of the amount of those payments is relevant to users of the entity’s financial statements in identifying the cash resources the government has applied to the entity’s activities during the period.**

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16. Multilateral and bilateral development and humanitarian agencies provide development or humanitarian assistance directly in cash to the entity or they designate loan or grant resources to facilitate payment(s) to third parties where the loan or grant agreement provides for such method of disbursement to meet obligations incurred by the entity in accordance with other provisions of the loan or grant agreement. In addition, they may provide development or humanitarian assistance in-kind by purchasing goods or services and supplying the goods or services to the entity or in some cases directly to individual citizens.
17. Multilateral and bilateral development assistance is provided in many formats, with or without conditions. Typically these formats include at least loans, grants and technical assistance individually or in combinations, as follows:
 - (a) General budget support loans or grants, usually conditional on macroeconomic policy reforms, with few restrictions on the use of the funds (i.e. multilateral development bank loans prohibit the use of their funds for military expenditures, environmentally damaging goods or services and luxury goods);
 - (b) Budget support loans or grants for specific economic sectors, usually conditional on sector specific economic policy reforms with few restrictions on the use of funds, similar to (a) above;
 - (c) Project specific loans or grants with or without sector specific, executing agency specific or project specific conditions, the use of funds is usually restricted to defined expenditure categories related to the specific project;
 - (d) Technical assistance loans or grants with or without sector specific, executing agency specific or project specific conditions, the use of funds is usually restricted to specifically defined objectives

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18. Multilateral and bilateral humanitarian assistance is usually provided as a grant with limited conditions, if any. Conditions usually relate to ensuring access to the people in need by relief workers or aid professions and entrance into the country of the goods and services they wish to provide without restrictions or taxation.
19. Development or humanitarian assistance may be paid by a third party directly in cash to an NGO or another third party on behalf of an entity as a means of settling an obligation under the terms of an agreement entered into between the entity and the NGO or other third party to undertake or implement a part or all of a development or humanitarian project or program or to provide goods or services to the entity. Such a payment would constitute an indirect receipt by the entity.
20. ***Development or humanitarian assistance received in-kind by an entity should not be recognized as a cash receipt.***
21. Goods or services purchased by the provider of the development or humanitarian assistance based on the provider's determination of the technical specifications of the goods or services and selection of the supplier, with or without a competitive bidding procedure are supplied in-kind when transferred to an entity as part of development or humanitarian assistance. Goods or services paid for by the provider of the development or humanitarian assistance for the benefit of the entity or to settle an obligation incurred by the entity based on agreed technical specifications and procurement regulations which provide for the recipient to select the goods or services and the supplier, with or without a competitive bidding procedure, and whether subject to approval or not by the provider of the development assistance, are goods or services purchased by the entity and are not considered provided in-kind.
22. In some cases, development or humanitarian assistance includes the provision of goods or services directly to an entity. This includes the assignment of equipment or vehicles to the entity at the end of a program or project, etc. Goods, such as food aid, received with the expectation they will be sold in domestic markets at domestic prices should be recorded as cash receipts

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only when the recipient entity gains control of local cash receipts.

23. *Humanitarian assistance or disaster relief provided by development or humanitarian assistance agencies, NGOs or other agencies, directly or indirectly to citizens of a country should not be recognized in the financial statements of that country.*
24. Humanitarian assistance or disaster relief may be provided by development or humanitarian assistance agencies, NGOs or other agencies directly to citizens of a country. In some cases the assistance or relief may be provided to or through a local NGO. Although economic benefits accrue to the country, financial benefits, if any, accrue only to the individual.

Presentation and Disclosure Requirements

Information to be presented in the Statement of Cash Receipts and Payments

25. *The statement of cash receipts and payments should present total cash receipts of the entity showing separately a sub-classification of total cash receipts using a classification basis appropriate to the entity's operations. Where development and/or humanitarian assistance are a material source of cash receipts of the entity they should be separately disclosed on the face of the Statement of Cash Receipts and Payments.*
26. *Development or humanitarian assistance payments made by third parties on behalf of the entity should be disclosed in separate columns distinguishing between*
 - (d) *total payments made by third parties which are part of the economic entity to which the entity belongs; and*
 - (e) *total payments made by third parties which are not part of the economic entity to which the entity belongs,*

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in each case showing separately a sub-classification of the sources of total payments using a classification basis appropriate to the entity's operations. Such disclosure should only be made when during the reporting period the entity has been formally advised by the third party or the recipient that such payment has been made or has otherwise verified the payment. Where development and/or humanitarian assistance are a material source of indirect cash receipts of the entity they should be separately disclosed on the face of the Statement of Cash Receipts and Payments.

27. *Where more than one material source of development or humanitarian assistance is received by an entity each such source should be classified appropriately and shown separately on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements. In addition, the total amount of development or humanitarian assistance received as a loan(s) or as a grant(s) should be separately disclosed.*
28. Financial statements result from processing large quantities of transactions that are structured by being aggregated into groups according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data that form line items either on the face of the financial statements or in the notes. If a line item is individually material it should be separately disclosed. If an item is not individually material, it is aggregated with other items either on the face of the financial statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of the financial statements may nevertheless be sufficiently material that it should be presented separately in the notes.
29. The sub-classification or classes of total cash receipts to be disclosed in accordance with paragraph 25 and 27 are a matter of professional judgment. That judgment will be applied in the context of the objective and qualitative characteristics of financial reporting under the cash basis of accounting. Total cash receipts may be classified to, for example, separately identify cash receipts from: taxation or appropriation; grants and

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donations; borrowings; proceeds from the disposal of property, plant and equipment; and other ongoing service delivery and trading activities. Alternative presentations are also possible, for example, cash receipts may be classified by reference to their source. Where development or humanitarian assistance is a material source, directly or indirectly, of cash receipts the loss of this assistance might raise concerns regarding the entity's ability to continue to fund its operations. The disclosure of information about the amount, nature and source of assistance will facilitate an assessment of the extent to which the entity is aid dependent. Information regarding the sustainability of future development assistance through multiyear agreements should be provided in the notes to the financial statements (see paragraph 31). Similarly, where humanitarian assistance or disaster relief is a material source of cash receipts readers will benefit from knowing that a material source of cash receipts of this nature is received as well as knowing whether this assistance is or will be sustainable.

30. The separate disclosure of payments made on behalf of the entity will enable users to identify the total cash resources being applied to the entity's activities during the reporting period, and the extent to which these resources are provided from parties which are, or which are not, part of the government to which the entity belongs. In some cases, as at the reporting date an entity may not be aware that payments have been made on their behalf by third parties during the reporting period. This may occur where the entity has not been formally advised of the third party payment or cannot otherwise verify that an expected payment has occurred. Paragraph 26 requires that third party payments only be disclosed on the face of the Statement of Cash Receipts and payments when during the reporting period the entity has been formally advised that such payments have been made or otherwise verifies their occurrence.

Information to be presented in the Notes to the Financial Statements

Undrawn Development or Humanitarian Assistance

31. *Sufficient information should be disclosed in the notes to the financial statements to identify the total amount of*

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development and/or humanitarian assistance available and used to fund the entities current operations and the balance available to fund future operations. At least the following information should be shown in summary form and disaggregated by loan(s) and grant(s) for each of development and humanitarian assistance:

- (a) the opening balance of undrawn assistance, including partially undrawn assistance, arising from written agreements;*
 - (b) the total amount of new assistance approved or otherwise made available and evidenced by a written agreement;*
 - (c) the total amount of assistance drawn or utilized;*
 - (d) the total amount of assistance cancelled;*
 - (e) total foreign exchange adjustments; and*
 - (f) the closing balance of undrawn assistance arising from written agreements.*
32. *Information should be provided to identify the total undrawn development or humanitarian assistance by major source(s) and the currency or currencies in which the assistance is denominated.*
33. Governments seeking development assistance from multilateral and bilateral development assistance agencies usually participate in a Consultative Group Meeting to discuss the government's development plans and its development assistance needs. The meeting usually concludes with an announcement of the total anticipated assistance indicated by the development agencies, together with a breakdown of the amounts of anticipated assistance indicated by each development agency. Statements of intentions made at Consultative Group Meetings are not binding on either the government or the development assistance agencies and should not be reported in the notes to

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the financial statements as resources available to fund the operations of the entity.

34. Subsequent meetings between the government and individual development assistance agencies result in specific written agreements covering loans or grants which will be available provided restrictions on access to the funds, if any, are met and continuing conditions or covenants are adhered to by the entity. Undrawn loans and grants covered by signed agreements represent potential sources of cash to fund the development objectives of the entity. The undrawn amounts may be significant and may represent a source of confidence for the entity's suppliers of goods or services that funds will be available to support the entity's future operations.
35. It is also beneficial to understand the extent to which development assistance used to fund the entity's operations consist of loan funds which carry an obligation to repay the funds, usually with interest, or grant funds which do not.
36. Multilateral and bilateral assistance agencies providing humanitarian assistance may also participate in Consultative Group Meetings where humanitarian assistance is significant and is a sustainable part of future resources available to the recipient country. To the extent that long-term humanitarian assistance is planned and resources assigned to an entity with which there is a written agreement the resources represent potential sources of cash to carry out the entity's operations. However a considerable amount of humanitarian assistance is provided in response to immediate needs resulting from natural or manmade disasters for which there can not be plans.

Terms and Conditions of Development or Humanitarian Assistance Loans or Grants

37. *Significant restrictions on access to development or humanitarian assistance or conditions that apply to the use of such assistance funds should be summarized and disclosed in the notes to the financial statements.*

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38. *Significant conditions that apply throughout the life of the development or humanitarian assistance funding, and which, if in default, may result in suspension, cessation or repayment of assistance funds should be summarized and disclosed in the notes to the financial statements*
39. Initial access to development or humanitarian assistance funds may be conditional upon meeting certain criteria. The ability of the entity to continue to access development or humanitarian assistance funds is dependent upon its continuing ability to comply with any restrictions on the use of the funds. For example, some development or humanitarian assistance may require the recipient to undertake certain economic policy reforms before the assistance may be drawn down, in some cases, the assistance is provided in tranches with additional performance criteria required for access to the subsequent tranche or tranches. Procurement of goods and services to be funded from development or humanitarian assistance may be narrowly or precisely defined, may require adhering to specified procurement procedures and may be restricted to suppliers from the country providing the assistance or, in the case of the multilateral development banks, from their respective member countries. In other cases, maintenance of specified performance criteria by the project's executing agency may be required throughout the life of the assistance. In many cases, further disbursements may be suspended or some or all assistance already disbursed may be immediately repayable in the event of noncompliance with covenants.

Guarantees

40. *The amount of a guarantee(s) outstanding and any significant restrictions on or conditions that apply to the use of a guarantee(s) associated with or constituting development assistance should be disclosed in the notes to the financial statements.*
41. Development assistance may be provided to an entity with a guarantee by a more senior level of government, alternatively development assistance may consist of a guarantee of a commercial loan borrowed by an entity. The total amount of a

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guarantee(s) outstanding is indicative of utilization of development assistance. Unutilized guarantee(s) would constitute undrawn development assistance covered by paragraph 31 of this standard, disaggregated from loans and grants. In addition, any condition(s) or covenant(s) included in a guarantee agreement should be disclosed in accordance with paragraphs 37 and 38 of this standard.

Compliance with Terms and Conditions of Development or Humanitarian Assistance Loans, Grants or Guarantees

42. *The notes to the financial statements should clearly specify whether all terms and conditions or covenants associated with development or humanitarian assistance loans, grants or guarantees have been complied with or not.*
43. Development or humanitarian assistance loan, grant or guarantee agreements may include conditions or covenants which require suspension or cessation of payments or repayment of part or all of the proceeds received either directly or indirectly by the entity if the conditions or covenants are not adhered to, either as part of the implementation process or within a specified time period. If procurement regulations are not fully adhered to usually only the amount of the incorrect procurement is refundable by the entity. Conversely, some covenants which require the entity to undertake certain action(s), such as a tariff increase may result in suspension of all further disbursements under that agreement until the action is taken or in the worst case may result in demand for immediate repayment of the full amount of assistance disbursed under that agreement. Guarantee agreements usually carry cross-default clauses which restrict draw downs of the loan if the guarantee agreement is violated. Any violation of a development or humanitarian assistance agreement has immediate impact on the entity's expectations for future cash flow under that agreement and possibly other agreements.

Repayment Terms of Development Assistance Loans

44. *The notes to the financial statements should disclose summarized data specifying the required total amortization of*

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all outstanding development assistance debt, including at least the grace period, interest rate, debt amortization payments, currency of debt amortization payment(s) and any other significant repayment terms.

45. Development assistance loans usually include concessional repayment terms and interest rates relative to those the entity would receive from commercial sources. However the amortization of development assistance loans may still be a significant outlay of cash for the entity and has a bearing on the cash flow requirements of the entity to fund current operations as well as the entity's ability to fund further development projects or programs. Grace periods associated with development assistance loans often defer initial debt amortization payments for several years from the commencement of the project or program. Humanitarian assistance is usually provided as a grant, but if it is provided as a loan the provisions of paragraph 44 should apply.

Receipt of Goods or Services In-Kind

46. ***The notes to the financial statements should disclose the fair value of goods or services received in-kind. Fair value should be determined as at the date of receipt of the goods or services and should reflect fair value in the economy of the recipient.***
47. In some cases, goods which are purchased with development or humanitarian assistance funds for use during a project are retained as assets of the assistance agency until the project or program is complete. At the end of the project or program some or all of these goods may be transferred to the ownership of the entity. In many of these cases the goods were originally purchased outside the recipient's country and imported free of import duties and excise or other taxes, or with a deferral of duties and taxes until they are transferred to domestic ownership. The original purchase price plus shipping may have been charged by the provider against the total assistance available for the project or program. The original purchase price may not reflect fair value at the time the assets are transferred to the recipient because the assets may be several years old and are used. In addition the manufacturer of the goods may or may not

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have a retail outlet or service support facilities in the recipient country which also would influence the fair value. Fair value based on the domestic economy should be determined and used as the basis for reporting the value of goods received on the date recipient gains control of the asset(s).

48. In some cases, food aid is provided as the result of an agreement between a development or humanitarian assistance agency and an entity for distribution, in other cases the entity may agree that the food may be provided to an NGO for distribution. In some other cases food is provided with the expectation that it will be used to pay wages for employees working on government projects, possibly including projects funded by development or humanitarian assistance. The fair value used to reflect the receipt of these goods should be based on the domestic fair value for the specific goods provided.
49. International consultant services may be provided as part of development assistance. They have an international price or value which generally does not vary depending upon the location in which they are used.
50. ***Goods and services provided during a period of crisis should be disclosed in the notes to the financial statements when the entity has been formally advised by the third party regarding the quantity and value of goods and services provided or has otherwise verified the amounts. During a period of crisis in which domestic prices are not stable international prices may more closely reflect the value of goods and services provided to an entity.***
51. Humanitarian or disaster relief goods and services provided at a time of crisis, such as war, famine or earthquake may not result from a written agreement between the provider of the goods and services and the recipient entity. The quantity of goods and services provided as well as the domestic fair value of these goods or services during a time of crisis may be difficult to determine and domestic prices during these times may not reflect their long term price trends.

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**Disclosure when Development or Humanitarian Assistance is Relent
or Assigned to another Entity**

52. *An entity which enters into a development or humanitarian assistance agreement and passes the benefits as well as the terms and conditions of the agreement through to another entity or GBE by way of a subsidiary agreement should recognize the assistance as it is received, directly or indirectly, and report payments to the second entity in accordance with its normal classification of payments. The first entity should report the terms and conditions of the initial development or humanitarian assistance agreement in its notes to the financial statements in accordance with the provisions of this standard.*
53. *The entity that receives the benefits as well as the terms and conditions of the development or humanitarian assistance should recognize the assistance as it is received, directly or indirectly. This entity should recognize the assistance as being from the intermediate entity in accordance with the subsidiary agreement. Similarly, if this entity passes the benefits as well as the terms and conditions of the subsidiary agreement through to a third entity or GBE it should recognize receipts and payments and disclose the terms and conditions of the subsidiary agreement in accordance with paragraph 52. If the loan terms and conditions between any of the entities differ from the initial development assistance agreement the revised terms should be reported in the notes to the financial statements of the recipient of the revised terms and conditions.*
54. *An entity preparing consolidated financial statements that consolidate an entity reporting a loan or grant lent or assigned from or to the consolidating entity should eliminate the effects of all transactions resulting from the loan or grant.*
55. *Loan or grant receipts and payments, including interest paid or received, on receipts re-lent or assigned on substantially the same terms and conditions including terms affecting access to or use of funds, etc., may be considered transactions which the entity administers on behalf of another entity or entities and may be reported on a net basis in the unconsolidated financial*

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statements of the reporting entity. Loan or grant receipts and payments, including interest paid or received, on receipts re-lent or assigned on different terms and conditions, including terms affecting access to or use of funds, etc., may not constitute transactions administered on behalf of another entity.

56. In most cases, national governments retain the exclusive right to negotiate development or humanitarian assistance agreements with multilateral or bilateral development or humanitarian assistance agencies. In many of these cases the project or activity is implemented by another entity or by a GBE. The initial entity may re-lend or assign the funds received to the other entity or GBE. The terms and conditions of the re-lent or assigned funds may be the same as received from the development or humanitarian assistance agency or may be harder or softer than initially received. In some cases loan funds may be provided to a second entity as a grant. In the case of re-lending to GBEs some governments and some development assistance agencies encourage more commercial terms for the re-lent funds. Re-lending or assigning the proceeds of a development or humanitarian assistance loan or grant to another entity involves a series of agreements and sub-agreements and transactions under which the initial entity receives cash from the development or humanitarian assistance agency and pays a similar amount to the second entity. Alternatively, the development or humanitarian assistance agency makes disbursements on behalf of the initial entity under the primary loan/grant agreement and the initial entity makes disbursements on behalf of the second entity under the secondary loan/grant agreement. Where the initial recipient of the loan or grant passes through the terms and conditions of the loan or grant to another entity the initial entity may simply be administering the loan or grant on behalf of the end user. In some cases a small fee or interest spread is charged to cover the administration costs. Netting of transactions where the terms and conditions are substantially the same may be appropriate. In some cases lending, relending and assigning may involve transactions between several entities or several levels of government with

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loan or grant terms and conditions passed through to the end user

Foreign Currency

Definitions

57. *The following terms are used in this Standard with the meaning specified:*

Closing rate is the spot exchange rate at the reporting date.

Exchange difference is the difference resulting from reporting the same number of units of a foreign currency in the reporting currency at different exchange rates.

Exchange rate is the ratio for exchange of two currencies.

Foreign currency is a currency other than the reporting currency of an entity.

Reporting currency is the currency used in presenting the financial statements.

Treatment of Development or Humanitarian Assistance Denominated in a Foreign Currency

Cash Receipts and Payments

58. *Development or humanitarian assistance in the form of direct cash receipts, or payments made by third parties on behalf of the recipient, should be recorded or reported in the entity's reporting currency by applying the exchange rate on the date of the receipts or payments to the foreign currency amount.*
59. Development or humanitarian assistance loans or grants are usually denominated in a currency other than the reporting currency. Loan or grant cash receipts may also be denominated in a currency other than the currency in which the loan or grant is denominated. Similarly, indirect cash receipts resulting from

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payments made by a development or humanitarian assistance agency to third parties on behalf of the recipient are usually paid in a currency or currencies other than the reporting currency.

Disclosure in the Notes to the Financial Statements

60. *The Note to the Financial Statements accounting for changes in undrawn development or humanitarian assistance should disclose new assistance approved, drawn, utilized or cancelled in the entity's reporting currency by applying to the foreign currency amount the exchange rate on the date of each applicable transaction. Opening and closing balances should be disclosed by applying to the foreign currency amount the exchange rate on the respective dates. The Note should disclose the amount of exchange differences included as reconciling items between opening and closing undrawn assistance balances for the period.*
61. *The Note to the Financial Statements should disclose the amortization requirements for outstanding development or humanitarian assistance debt in an entity's reporting currency by applying to the foreign currency amount the closing rate.*

Debt Relief

Definitions

62. *The following terms are used in this Standard with the meaning specified:*

Highly Indebted Poor Countries (HIPC)s *are countries which:*

- (a) *are only eligible for highly concessional assistance such as from the World Bank's International Development Association (IDA) and the IMF's Poverty Reduction and Growth Facility;*
- (b) *face an unsustainable debt situation even after the full application of traditional debt relief mechanisms; and*

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- (c) *have a proven track record in implementing strategies focused on reducing poverty and building the foundation for sustainable economic growth.*

HIPC Initiative is a program to assist severely indebted countries reduce their debt as part of an overall poverty reduction strategy.

HIPC Trust Fund consists of contributions from participating multilateral creditors and bilateral donors used for the purpose of providing debt relief to eligible HIPCs on debt owed to participating multilaterals by prepaying or purchasing a portion of the debt owed to a multilateral creditor(s) and canceling such debt; or paying a debt amortization payment(s) as it comes due.

London Club is an informal group of commercial creditors that seek to find coordinated and sustainable solutions to the payment difficulties experienced by debtor nations.

Paris Club is an informal group of official creditors that seek to find coordinated and sustainable solutions to the payment difficulties experienced by debtor nations.

Treatment of Debt Relief Applied to Multilateral and Bilateral Development Assistance Debt

63. *Debt rescheduling or debt cancellation does not involve a cash receipt or a cash payment. However, the terms and conditions attached to the debt that has been rescheduled have been changed. The notes to the financial statements should disclose the renegotiated terms and conditions consistent with disclosure requirements specified in this Standard. The required note on compliance with all loan covenants should disclose the entity's inability to service its debt(s) and the principal terms of the rescheduling. In addition, any material additional terms and conditions resulting from or in conjunction with Paris Club negotiations or the HIPC Initiative, such as obligations under an IMF loan or a Poverty Reduction Strategy, should be disclosed.*

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64. *Certain significant information, terms and or conditions, such as exchange rate targets for the domestic currency versus convertible currencies; agreed intervention levels and some supporting monetary targets, agreed under an IMF loan, which if disclosed would undermine an objective of stabilizing the domestic currency, should not be disclosed.*
65. *Amortization payments made on behalf of the entity by a third party should be reported as cash receipts and disclosed in a separate column of the Statement of Cash Receipts and Payments in accordance with paragraph 26 of this Standard. A third party payment(s) of debt amortization obligations as part of debt relief is a material item by its nature and should be shown separately with a reference to the note describing the debt relief.*
66. A government experiencing difficulty in servicing its sovereign debt, including bilateral development assistance debt, may seek renegotiation of the terms of its sovereign debt under Paris Club arrangements. A new set of conditions covering the debt subject to relief may be negotiated, including the interest rate and the amortization period and amount, etc. Any Paris Club negotiations would normally be undertaken in conjunction with an IMF program, which would include specify macroeconomic performance targets and a comprehensive poverty reduction plan. Sovereign debt held by commercial banks would be rescheduled through the London Club.
67. Highly Indebted Poor Countries (HIPC) may seek relief under the HIPC Initiative. The HIPC Initiative seeks debt relief from the Paris Club beyond that usually granted. Additional relief would be sought from commercial debt through the London Club. The IMF and the World Bank will provide continued assistance within the context of a comprehensive poverty reduction strategy; other multilateral institutions may also participate.
68. Debt relief from multilateral institutions would not be granted under Paris Club negotiations but may be provided within the HIPC Initiative. The HIPC Trust Fund may purchase or repay a

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portion of the HIPC's multilateral debt and cancel that debt or it may make debt amortization payments on behalf of the HIPC.

Transitional Provisions

69. To be determined

Effective Date

70. This IPSAS becomes effective for annual financial statements covering periods beginning on or after XX XX XXX. Earlier application is encouraged.

Progress Report

Accounting for Development and Humanitarian Assistance by Recipients **From Charles Coe**

The attached draft Exposure Draft reflects the guidance provided at the last PSC meeting in Buenos Aires and by the comments received from Project Advisory Panel (PAP) members. A central change is the broadening of the scope of the standard to include humanitarian assistance. This raises the issue of segregating development assistance and the general issues of disaggregation of cash receipts. The issues are outlined in the comments section of the draft ED seeking comment from PSC and PAP and if retained in the ED from the general public. The draft ED requires that where material there should be separate disclosure of development and humanitarian assistance. Disaggregation of cash receipts is left to the preparer using a classification basis appropriate to the entity's operations. In addition the broader scope raises issues of how broad is the definition of development assistance. The comments section raises issues to do with military assistance and IMF operations. Consistent with the broader scope of coverage and a need to edit the first draft the current draft is presented in a format consistent with the existing cash standard.

At the time of the last PSC meeting the next OECD Joint Venture on Public Financial Management Meeting was tentatively scheduled for either the week of 20 June or 27 June. This meant that direct comments from the PAP would be available for the PSC meeting 5 to 7 July. Subsequently the JV-PFM meeting was scheduled for 8/9 July immediately after the PSC meeting. Comments on the KDQ received from the OECD country representatives were prepared on the basis of the last JV-PFM meeting and included issues such as the treatment of foreign exchange transactions and the treatment of third party payments. Only one comment on the KDQ was received from a developing country. The current approach is to address the JV-PFM which comprises the OECD countries plus all of the developing countries and the MDBs. It is felt that a meeting will provide an opportunity to explain existing standards and to discuss the issues relating specifically to development and humanitarian assistance.

The draft ED has been made available to all invitees to the JV-PFM via a restricted web site page maintained by OECD (Attachment 1). Accompanying it is a Note from the Chair of the PAP (Attachment 2). The Note requests written comments by 31 July, it also encourages written comments prior to 30 June to assist in preparation for the JV-PFM meeting and which would be summarized for the PSC. Any written comments received by 15 June will be included in the second distribution. The representative of the OECD bilateral countries has indicated that their written comments will be made available by 10 June. The OECD Notice inviting JV-PFM members to access the web site together with the note from the Chair of the PAP are attached.

Comments from the New York PSC meeting will form the basis of the presentation to the JV-PFM meeting. Those comments plus all comments received at the JV-PFM meeting and any written comments will form the basis for the draft ED to be submitted to the November PSC meeting with the intention of requesting approval to release for comment.

Attachment 1

From: Simon.MIZRAHI@oecd.org

Sent: Wednesday, June 02, 2004 5:31 AM

To: Stephanie.BAILE@oecd.org; knut.baese@kfw.de; wdorotinsky@worldbank.org; bengt.ekman@sida.se; morelk@um.dk; Patrick.Empey@iveagh.gov.ie; fiona.english@iveagh.gov.ie; ah.gerbrandy@minbuza.nl; S-Gill@dfid.gov.uk; pierre.giroux@dfait-maeci.gc.ca; Egoldstein@worldbank.org; degordon@usaid.gov; igrizzard@usaid.gov; Alexandre.GRONIER@diplomatie.gouv.fr; shader@worldbank.org; Chall1@worldbank.org; henrik.harboe@norad.no; EHARRIS2@imf.org; petras@um.dk; gilles.hervio@cec.eu.int; david.hoole@opml.co.uk; tracie_howatt@acdi-cida.gc.ca; Paul.ISENMAN@oecd.org; jaudoinm@afd.fr; tkaklamanou@mfa.gr; Martina.KAMPMANN@oecd.org; kanera@bmz.bund.de; a-karashima@jbic.go.jp; lotta.karlsson@formin.fi; heinz.kaufmann@seco.admin.ch; diane.kepler@undp.org; seiija.kinni@formin.fi; birela@um.dk; dorice_lessard@acdi-cida.gc.ca; Soe.LIN@oecd.org; jlombardo@usaid.gov; riccardo.maggi@cec.eu.int; Makimoto.Saeda@jica.go.jp; giordana.mara@esteri.it; alessandro.mariani@cec.eu.int; maruyama@jica.fr; mari.matsumoto@undp.org; ida.mcdonnell@iveagh.irlgov.ie; a-mcloughlin@dfid.gov.uk; frerk.meyer@gtz.de; Simon.MIZRAHI@oecd.org; dac.multi@japan-oda.go.jp; kmoktan@adb.org; ryoichi.nambu@mofa.go.jp; paulo.nascimento@ocde-portugal.com; Bngo@worldbank.org; franco.nicora@cec.eu.int; riitta.oksanen@formin.fi; otsuka.jiro@jica.go.jp; kris.panneels@diplobel.fed.be; ibpete@um.dk; WINPET@um.dk; Spradhan@worldbank.org; bpurdue@adb.org; michel.reveyrand@dt.finances.gouv.fr; bettyr@iadb.org; richardd@afd.fr; tineke.roholl@minbuza.nl; Fred.ROOS@oecd.org; Arosenberg@worldbank.org; rathin.roy@undp.org; monica.rubiolo@seco.admin.ch; Michael.RUFFNER@oecd.org; natsuko.sakata@mofa.go.jp; MSalem-Murdock@usaid.gov; Jsalop@worldbank.org; Sunhilt.SCHUMACHER@oecd.org; nives.severo@esteri.it; Sshetty@worldbank.org; nsmithers@worldbank.org; claudio.spinedi@esteri.it; t-tabei@jbic.go.jp; terakado@deljp-ocde.fr; g-teskey@dfid.gov.uk; R-Teuten@dfid.gov.uk; Tomimoto.Ikufumi@jica.go.jp; rd-vanden.berg@minbuza.nl; fpm-vander.kraaij@minbuza.nl; frans-van.rijn@minbuza.nl; hl-vander.vegt@minbuza.nl; jeroen.verheul@minbuza.nl; huub.drabbe@minbuza.nl; bo.westman@foreign.ministry.se; eduard.westreicher@germany-oecd.org; j-williams@dfid.gov.uk; tony-williams@dfid.gov.uk; matthias.witt@gtz.de; isabelle.wittoek@diplobel.fed.be; jwolgin@worldbank.org; e-wratten@dfid.gov.uk; Yamada.Minoru@jica.go.jp; Richard.Young@cec.eu.int; Furuta.Shigeki@jica.go.jp; delespaigneocde@mail.mae.es; rallen@worldbank.org; pealonso@yahoo.com; kuniaki.amatsu@mofa.go.jp; Kjerstin.ANDREASEN@oecd.org; lynnettea@iadb.org; slathukorala@adb.org; e-azukizawa@jbic.go.jp; dbagai@worldbank.org; L-Beaufils@dfid.gov.uk; david.bendor@fco.gov.uk; Pbermingham@worldbank.org; sgj.bihari@minbuza.nl; Vbishop@worldbank.org; sighvatur.bjorgvinsson@utn.stjr.is; sbradbury@worldbank.org; pbrar@worldbank.org; g-briffa@dfid.gov.uk; Cbruce@worldbank.org; kai.buchholz@undp.org; martin.burke@iveagh.irlgov.ie; anne-marie.callan@iveagh.irlgov.ie; louis.callewaert@diplobel.fed.be; carnergx@state.gov; mailan.chiche@cec.eu.int; jicapvp@jica.go.jp; CCOE@CANADA.COM; ccoe@adb.org; Sara.DAHLSTEN@oecd.org; p-dearden@dfid.gov.uk; martinus.desmet@diplobel.be; nassir.djafari@kfw.de

Subject: {JV-PFM} Draft Exposure Draft of an IPSAS

WORKING PARTY ON AID EFFECTIVENESS AND DONOR PRACTICES

Joint Venture on Public Financial Management

Re: Draft Exposure Draft of an International Public Sector Accounting Standard (IPSAS)

Please find attached a message from Ian Mackintosh, the Chair of this Exposure Draft's Project Advisory Panel. The draft Exposure Draft is available on the OECD website and is meant for the use of members of the JV-PFM only:

<http://www.oecd.org/dataoecd/29/58/31838813.doc>

Due to the sensitive nature of this document, I would be grateful if you did not duplicate or circulate it.

A presentation of this document will be made at the next meeting of the Joint Venture on 8-9 July 2004. Please address your comments to: Ian Mackintosh (imackintosh@worldbank.org) and copy your comments to: Paul Sutcliffe (psutcliffe@ifac.org), Charles Coe (ccoe@canada.com) and Simon Mizrahi (simon.mizrahi@oecd.org).

All comments made **by 30 June 2004** will be addressed at the Joint Venture meeting in July.

Best regards,
Simon Mizrahi
<<Message from Ian Mackintosh.doc>>

Attachment 2

**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

545 Fifth Avenue, 14th Floor

Tel: (212) 286-9344

New York, New York 10017

Fax: (212) 286-9570

Internet: <http://www.ifac.org>

Members of the Project Advisory Panel:

The attached draft Exposure Draft (ED) of an International Public Sector Accounting Standard (IPSAS) covering the topic “Accounting for Development and Humanitarian Assistance by Recipients” will be discussed at the OECD JV-PFM meeting to be held on 8 and 9 July in Paris.

The draft ED is based on the Key Decisions Questionnaire (KDQ) circulated to you in January together with the comments received on the KDQ. The principal addition to the ED based on comments received is the inclusion of humanitarian assistance in the IPSAS. However, the draft ED requires separate disclosure of development assistance and humanitarian assistance. The draft ED includes a section which requests comment on a number of specific issues including:

- whether the separate disclosure of development assistance and humanitarian assistance and the disaggregation of cash receipts within development assistance and humanitarian assistance should be required.
- whether the broad definition of development assistance in the ED also includes military assistance and whether loans from the IMF constitute development assistance.

We would appreciate your comments on these issues. We would also appreciate comment on whether a transition period for the application of the draft ED is necessary. We would appreciate a broad response to this issue. We would particularly like to receive the views of developing countries regarding this issue.

A presentation will be made at the JV-PFM meeting by a representative of the Public Sector Committee (PSC) assisted by the staff consultant who prepared the draft ED. An opportunity will be provided for questions and comments from the participations as well as explanations from the presenters.

We would appreciate your written comments by 31 July 2004. These comments will be used when preparing the next draft of the ED. All Comments received will be submitted to the subsequent meeting of the PSC in November 2004 together with the revised draft ED. It is anticipated that the ED will be approved for issue at that meeting subject to changes identified by the PSC. Any comments or questions that you have relating to the draft ED that are submitted prior to 30 June would assist the presenters in being prepared to respond to those issues at the JV-PFM meeting. It is recognized that these comments or questions would not prejudice or preclude comments being submitted subsequent to the meeting.

The PSC will meet before the JV-PFM meeting on 5 through 7 of July to consider this draft ED circulated to you. A summary of the PSC's discussion and current views will be presented at the JV-PFM meeting. Any questions or comments on the draft ED, as noted in the above paragraph, that are received prior to the last circulation of documents to the PSC members on 14 June will be included in that circulation for their consideration during their July meeting.

In addition to the interaction with the Project Advisory Panel (PAP) the ED, once it has been approved for circulation by the PSC will be released to the general public for comment. As part of that process it will be distributed to Finance Ministries, or other appropriate ministry with a request for comments. We feel that the opportunity to interact with a representative sample of countries through the PAP will enhance the prospects of developing an ED that will be broadly acceptable to most countries when it is circulated for general comment. In this regard the PSC greatly appreciates the efforts of the members of the PAP

Please address your comments to:

imackintosh@worldbank.org

Please copy your comments to:

psutcliffe@ifac.org

Simon.MIZRAHI@oecd.org

ccoe@canada.com

Best regards

Ian Mackintosh
Chair, Project Advisory Panel