



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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**Agenda Item  
3**

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**DATE:** March 2, 2007  
**MEMO TO:** Members of the International Public Sector Accounting Standards Board  
**FROM:** Barry Naik  
**SUBJECT:** Service Concession Arrangements

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**ACTION REQUIRED**

The IPSASB is asked to note developments with its service concession arrangements project.

**AGENDA MATERIAL:**

**Papers**

3.1 Update on Service Concession Arrangements Project

**BACKGROUND**

At its meeting in November 2006, the IPSASB agreed a project brief for a collaborative project on service concession arrangements.

Key aspects of the project brief had been determined at the July 2006 meeting - most notably the project should not be directed at putting in place authoritative guidance which mirrors the IFRIC Interpretations. Instead, it should start at a more fundamental level with the preparation of a consultative paper.

The Board requested a number of revisions to the brief including:

- giving flexibility as to the type of final guidance resulting from the project; and
- having more emphasis on communications/consultation with the IASB throughout the project.

The brief was also revised so as to take into consideration possible implications for GBEs.

The revised brief was sent to all proposed members of the service concession arrangements subcommittee and project advisory panel in January 2007.

Since the November 2006 meeting, staff have also:

- Confirmed membership of both the service concession arrangements subcommittee and project advisory panel;
- Agreed a draft timetable for the development of the consultative paper;
- Agreed a draft structure for the consultative paper.

Please refer to item 3.1 for more information on each of these points and also for information about a conference on public-private –partnerships at which IPSASB Chair, Mike Hathorn, will be presenting.

## **UPDATE ON SERVICE CONCESSION ARRANGEMENTS PROJECT**

This update provides, for the interest of the Board, the following information relating to the service concession arrangements project:

- confirmed membership of subcommittee and project advisory panel;
- draft timetable for the development of the service concession arrangements consultative paper;
- draft structure of the consultative paper; and
- information about the international seminar on strengthening public investment and managing fiscal risks from public-private partnerships.

### **Confirmed Membership of Subcommittee / Project Advisory Panel**

At the November 2006 meeting, the IPSASB considered nominations for membership to the service concession arrangements subcommittee and project advisory panel.

Since November, staff have contacted all proposed members and confirmed both contact representatives and actual subcommittee/ project advisory panel members for the project. Details are provided below.

#### **Subcommittee**

<b>Country</b>	<b>Member</b>	<b>Contact</b>
<i><b>IPSASB</b></i>	<i><b>IPSASB</b></i>	<i><b>IPSASB</b></i>
Canada	Richard Neville – Chair	Richard Neville
Australia	Peter Batten	Peter Batten
Switzerland	Andreas Bergmann	Andreas Bergmann
Italy	Stefano Pozzoli	Stefano Pozzoli
<i><b>NSS</b></i>	<i><b>NSS</b></i>	<i><b>NSS</b></i>
United Kingdom	Michelle Crisp	Ian Mackintosh
IMF	Abdul Khan Stephen Mayes (alt)	Richard Hemming
Eurostat	Marcin Woronowicz Philippe de Rougemont	Eduardo Barredo-Capelot
South Africa	Amanda Botha	Erna Swart
IASB-IFRIC	Noreen Whelan	Noreen Whelan

**Project Advisory Panel**

<b>Country</b>	<b>Member</b>	<b>Contact</b>
Accounting Planning and Managing General Assistant Directorate – Spain	D. Víctor Nicolás Bravo	Mónica García Sáenz Belén Hernández Fernández- Canteli
Public Member IPSASB – USA	John Peace	John Peace
New Zealand Institute of Chartered Accountants	Annette Davis	Annette Davis
Ministry of Finance - France	Patrick Soury	Patrick Soury

**Draft Timetable for the Development of the Service Concession Arrangements  
Consultative Paper**

The schedule below has been drafted with the understanding that the project is in the early stages and that as it progresses, some timeframes may have to be flexible. It has been agreed upon by the sub-committee chair, GASB staff and IPSASB staff and provided to the subcommittee for consideration.

Please note that the date for the IPSASB approving a consultative paper for public comment has been shifted to November 2007 from July 2007. However, the overall project timeframe (outlined in the service concession arrangements project brief) has not changed (ie: November 2008 for an IPSAS – if the IPSASB considers an IPSAS is an appropriate final output for the project).

Dates of IPSASB meetings are shaded. The subcommittee plans to provide updates to the IPSASB at this meeting and in July in Montreal.

Dates of subcommittee meetings are bolded. The subcommittee plans to conference call at the beginning of June and early October. A third and final meeting (if considered necessary) is scheduled for late October.

**Development of Consultative Paper**

1	Mid January 2007	Revised project brief issued to proposed members of subcommittee and project advisory panel (PAP).
2	Late February 2007	Finalize membership of subcommittee and PAP.  Develop draft: <ul style="list-style-type: none"><li>• schedule for development of consultative paper</li><li>• structure of consultative paper</li></ul> Consult with: <ul style="list-style-type: none"><li>• subcommittee Chair</li><li>• GASB staff member</li><li>• Subcommittee and PAP</li></ul>
3	Late February 2007	Request information related to PPP/SCA in local countries from subcommittee and PAP members.
4	Mid-March 2007	Due date for PPP/SCA information from subcommittee and PAP members.

5	March 20 – 23, 2007	Ghana - IPSASB updated on the progress of the subcommittee.
6	18 May 2007 (10 weeks from step 4)	Draft of first three sections of consultative paper written and circulated to subcommittee and PAP.
7	<b>1 June 2007 (2 weeks)</b>	<b>Conference call of subcommittee to discuss draft</b>
8	Mid-June 2007	Project update sent to IPSASB members for July meeting – Montreal.
9	July 3-6 2007	Montreal - IPSASB updated on progress of the subcommittee.
10	21 September 2007 (11 weeks from Step 9)	Draft of entire Consultative Paper written and circulated to subcommittee and PAP.
11	<b>5 October 2007 (2 weeks)</b>	<b>Conference call of subcommittee to discuss draft.</b>
12	19 October 2007 (2 weeks)	Final draft of entire Consultative Paper written and circulated to subcommittee and PAP.
13	<b>26 October 2007 (1 week)</b>	<b>Final conference call of subcommittee (possibly face-to-face meeting – Toronto) – discuss draft (if necessary).</b>
14	Early November 2007	Draft Consultative Paper sent to IPSASB members for November meeting—Beijing.
15	27-30 November 2007	Beijing—IPSASB to approve Consultative Paper for public comment.
16	December 2007	Consultative paper issued for public comment

## **Draft Structure of the Consultative Paper**

Like the project schedule above, this structure has been drafted on the understanding that the project is in the early stages and that as it proceeds, we may need to be flexible. It has been agreed upon by the sub-committee chair, GASB staff and IPSASB staff and provided to the subcommittee for consideration.

### **Purpose of the Consultation Paper**

To provide the IPSASB with underlying principles for consideration in determining next steps in the development of accounting guidance for governments involved with SCAs.

The proposed approach:

- Getting a broad level understanding of the key attributes of service concession arrangements (both existing and anticipated) globally – with specific examples
- Identifying the key issues of trying to account and report on those attributes
- Getting IASB involvement
- Considering at a broad level, international responses to the issue
- Within the parameters of existing IPSASs (incl definitions of financial statement elements), suggesting underlying tenets as a basis for solutions to those issues

Symmetry/similarity with any existing service concessions guidance is not an underlying assumption at this stage of the IPSASB project.

### **1. Key characteristics of a SCA**

Determining the key characteristics of a SCA to help develop a generally accepted public sector understanding for a SCA.

Discussion Points

- Definitions and characteristics of SCAs internationally
- SCA vs PPP – are they the same
- What a SCA is not

### **2. Scope of any guidance – Grantor / Operator(s) / Grantor & Operator(s)**

- How are governments getting involved in these arrangements and therefore how broad does any IPSASB guidance need to be
- Government as grantor is the most recognized scenario
- Government as operator – relevance - discuss with examples

### **3. GBEs**

- Relevance of GBEs in any IPSASB guidance
- Examples of GBE involvement in SCAs and how this impacts government accounting

- Consolidation issues (GBEs fully consolidated under IPSASs)

**4. Assets in SCAs**

- Nature of assets in SCA (financial and non-financial)
- Asset recognition – issues

**5. Liabilities in SCAs**

- Nature of liabilities in SCA (financial and non-financial)
- Liability recognition - issues

**6. Recognition of revenues and expenditures from arrangements**

**7. Broad approaches used in other jurisdictions**

Describing the key attributes of standards followed internationally (incl IFRIC 12) – if possible broadly categorizing their key characteristics. Any lessons for the IPSASB?



**IPSASB Involvement with International Seminar on Strengthening Public Investment and Managing Fiscal Risks from Public-Private Partnerships**

For the information of the Board, please find below details of a public-private partnerships seminar scheduled to be held in Budapest in March. The information below can be viewed on the IMF website – [www.imf.org](http://www.imf.org)

The IPSASB Chair, Mike Hathorn, will be giving a presentation at the seminar and will update the Board in Accra.

International Monetary Fund; Hungarian Ministry of Finance; International Center for Economic Growth—European Center  
Budapest, Hungary; March 7–8, 2007

This high-level two-day seminar will look at key issues related to strengthening public investment and managing fiscal risks from public-private partnerships (PPPs). The first part of the seminar will be devoted to taking stock of the current macroeconomic and institutional setting for public investment, the fiscal and budget frameworks in which public investment decisions are made, and the role of pre- and post-accession European Union (EU) community support instruments in this context. The seminar will then focus on the role of PPPs in developing public infrastructure, discuss institutional requirements for managing fiscal risks from PPPs, review fiscal accounting and reporting issues, and reflect on the experiences from different countries.

The seminar is targeted at high-level public officials from the new member states of the EU, selected old member states that have some experience with PPPs, and selected European countries that are not EU members. Representatives from various international organizations and academia will also participate. The seminar is by invitation only.

The seminar is organized jointly by the [IMF's](#) Fiscal Affairs Department, the [Hungarian Ministry of Finance](#) (HMOF), and the [International Center for Economic Growth—European Center](#) (ICEG-EC). It will be hosted in the conference facility (József Antall Hall) of the [National Bank of Hungary](#) (MNB), which is located at [Szabadság tér 8-9](#) in downtown Budapest. The seminar language will be English (no translation services will be available).

**PROGRAM**

Wednesday, March 7	
Opening Session	
08:30	Registration
09:00	Opening remarks Pál Gáspár (ICEG-EC), on behalf of the conference organizers
09:05	Welcoming remarks Henrik Auth, Deputy Governor (National Bank of Hungary)
09:15	Keynote Speech: Public Investment and PPPs—Main Challenges for European Policy

	Makers
	Miklós Tátrai, Senior State Secretary (HMOF)
09:30	Overview: Public Investment and PPPs—Objectives for the Seminar
	Teresa Ter-Minassian, Director (IMF)
<b>Session 1: Public Investment and Fiscal Policy</b> <b>Chair: Richard Hemming (IMF)</b>	
09:45	Public Capital and Economic Growth: Key Issues for Europe
	Jan-Egbert Sturm (ETH/Zürich)
10:05	Public Investment in Europe: Evolution and Determinants
	Eric Perée (EIB)
10:25	<i>Coffee Break</i>
10:45	Challenges for Public Investment in New EU Member States
	Filip Keereman (EU Commission)
11:05	Fiscal Adjustment and Public Investment: Experiences in the New Member States and Some Preliminary Policy Lessons
	Ana Corbacho (IMF)
11:25	Public Investment Planning and the Budget Framework: Institutional Reform Considerations
	Eivind Tandberg (IMF)
11:45	Comments and Discussion
	Discussants: Christophe Kamps (ECB); Christoph Rosenberg (IMF)
12:30	<i>Lunch sponsored by Ministry of Finance, Hungary</i>
<b>Session 2: PPPs: Managing Fiscal Risks</b> <b>Chair: Teresa Ter-Minassian (IMF)</b>	
14:00	Managing Fiscal Risks from PPPs—Main Issues for Governments
	Gerd Schwartz (IMF)
14:20	PPPs and Fiscal Risks—Experiences from Portugal
	Rui Monteiro (Parpública/Portugal)
14:40	Comments and Discussion
	Discussants: Gábor Kiss (National Bank of Hungary); Elena Flores (EU Commission)
15:30	<i>Coffee Break</i>
<b>Session 3: PPPs: Strengthening the Institutional Environment</b> <b>Chair: Tom Barrett (EIB)</b>	
16:00	OECD Principles for Private Sector Participation in Infrastructure
	Hans Christiansen (OECD)
16:20	The Legal Framework for PPPs—A Comparative Analysis of Eastern and Central European Countries
	Alexei Zverev (EBRD)
16:40	Doing PPPs: Institutional Capacity Requirements
	Nicholas Jennett (EIB)
17:00	Comments and Discussion
	Discussants: Dragan Penezic (Ministry of International Economic Relations/Serbia); [tbd]
18:00	Close
20:00	<i>Conference dinner sponsored by the EIB</i>

	Opening remarks: Willy Kiekens (Executive Director, IMF)
	Keynote speaker: Tom Barrett (EIB)
<b>Thursday, March 8</b>	
<b>Session 4: Addressing Key Challenges in PPP Design</b> <b>Chairs: Gerd Schwartz (IMF) and Pál Gáspár (ICEG-EC)</b>	
08:30	Achieving Value for Money Paul Grout (University of Bristol/U.K.)
08:50	Quality Control in Preparing and Managing PPP Projects Ed Farquharson and Michael Gerrard (Partnerships U.K.)
09:30	Efficient Risk Transfer and Modeling of Fiscal Risk Tim Irwin (World Bank)
09:50	Coffee Break
10:10	Combining PPPs with EU Grants Hugh Goldsmith (EIB)
10:30	Negotiating and Renegotiating Infrastructure Concessions—Key Issues for Policy Makers [Luis Guasch (World Bank)]
10:50	Bankability and Fiscal Risk—The Lender's Perspective Robin Earle (EBRD)
11:10	Comments and Discussion Discussants: Kálmán Seregélyes (HMOF); Daniel Bergvall (OECD)
12:00	[Lunch; sponsor to be determined]
<b>Session 5: PPP Accounting and Reporting</b> <b>Chair: Cornelis Gorter (IMF)</b>	
13:30	Eurostat's Approach Philippe De Rougemont (Eurostat)
13:45	PPPs and International Public Sector Accounting Standards Mike Hathorn (International Public Sector Accounting Standards Board)
14:00	PPP Accounting and Reporting Issues Richard Hemming (IMF)
14:15	Comments and Discussion Discussants: François Bergère (Ministry of Finance/France); Bernhard Müller (Ministry of Finance/Germany)
15:00	Coffee Break
<b>Session 6: Achieving Value for Money: Perspectives from PPP Audits</b> <b>Chair: Jeremy Colman (Audit Office of Wales/U.K.)</b>	
15:20	Portugal Francisco Machado (Tribunal de Contas/Portugal)
15:40	Hungary Gusztáv Báger (State Audit Office/Hungary)
16:00	United Kingdom Patricia Leahy (National Audit Office/UK)
16:20	Comments and Discussion Discussant: Juan Ramallo-Massanet (Member of the Court/European Court of Auditors)

<b>Session 7: Public Investment and PPPs: Lessons for European Policy Makers</b> <b>Chair: Willy Kiekens, Executive Director (IMF)</b>	
17:00	Roundtable Discussion
	<i>Teresa Ter-Minassian (IMF)</i>
	<i>Michael Gerrard (PUK)</i>
	<i>Nicholas Jennett (EIB)</i>
	<i>Ellis Juan (World Bank)</i>
	<i>Andrea Markó (HMOF)</i>
18:00	Official Closing
	Andrea Markó (HMOF)
18:15	Seminar End