



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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Agenda Item
13

DATE: 1 October 2007
MEMO TO: Members of the IPSASB
FROM: Paul Sutcliffe
SUBJECT: ED 32 “...Disclosure Requirements for Recipients of External Assistance”

OBJECTIVE OF THIS SESSION

To approve amendments to the Cash Basis IPSAS and/or provide directions to staff on additional amendments.

AGENDA MATERIAL

- 13.1 Field Test partners approached
- 13.2 Field test reports received
- 13.3 Overview of Amendments made to ED 32 in response to submissions received
- 13.4 Marked-up draft of proposed amendments to Parts 1 and 2 of the Cash Basis IPSAS
- 13.5 Clean copy of proposed amendments to Parts 1 and 2 of the Cash Basis IPSAS
- 13.6 Project history sheet

(Submissions made on ED 32 have previously been provided. Members are requested to bring a copy of those submissions to the meeting.)

ACTION REQUIRED

- Review results of field testing of ED 32 and staff summary and analysis thereof.
- Review the proposed draft amendments to the Cash Basis IPSAS at Agenda item 13.4 with a view to their approval for issue, and provide staff with directions for further amendment.

Provide staff with any editorial and other drafting amendments out of session. This will allow the Board to focus on substantive issues during the meeting.

Agenda item 13.4 comprises a marked-up copy of ED 32 identifying the amendments which are proposed to be added to the Cash Basis IPSAS (hereafter referred to as the proposed IPSAS). Item 13.4 also identifies amendments to existing paragraphs and illustrations in the Cash Basis IPSAS which are necessary to reflect the addition of requirements and encouragements dealing with external assistance.

The marked-copy of the proposed IPSAS at Agenda item 13.4 will be subject to a detailed review at this meeting – this will enable members to readily identify additions and deletions to the text of ED 32. (A clean copy of this material is also provided at agenda item 13.5 for illustrative purposes.)

BACKGROUND

This project was initiated in response to proposals from the OECD-Development Assistance Committee (OECD-DAC) and the Multilateral Development Banks’ Financial Management Harmonization Group (MDB-FMHG), and with the support of many participants from recipient entities, donors and the financial reporting community.

The IPSASB issued ED 24 “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” in February 2005, for comment by June 2005. ED 24 was developed with input from a Project Advisory Panel which included individuals with a broad spread of expertise and experience, and after extensive consultation with the OECD-DAC-Joint Venture on Public Financial Management (OECD-DAC-JV). Many respondents to ED 24 expressed concern that its requirements were too onerous for many recipients of assistance to comply with. Following its review of these responses, the IPSASB consulted widely with constituents in the latter part of 2005 and early 2006. Subsequently, it developed ED 32, “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” which included required and encouraged disclosures.

ED 32 was issued in November 2006 for comment by March 31, 2007. The comment date was subsequently extended until 30 April 2007 on advice that a number of responses were in process but would not be completed by March 31. (A history sheet which provides details of the project development is included at Agenda item 13.6.)

At its last meeting in July 2007, the IPSASB reviewed all 16 responses received on ED 32, “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance”, and a staff analysis and summary thereof.

The IPSASB discussed in detail all key issues raised by respondents in respect of the specific matters for comment included in ED 32, and provided staff with directions for development of the final IPSAS. Members agreed this should be in the form of an addition to the Cash Basis IPSAS, rather than as a separate stand alone IPSAS. Members also noted the additional issues raised and editorial and other amendments proposed by respondents, and staff recommendations thereon. The IPSASB agreed that staff recommendations on those matters should be reflected in the draft IPSAS for review at this meeting.

Field tests completed

The following countries have completed field tests of ED 32: Ghana, Uganda and Nigeria. Uganda also made a separate submission on ED 32. Ghana incorporated its field test report in the submission it made on ED 32 and a briefing provided to the Chair and Technical Director in conjunction with the IPSASB meeting in Accra in March 2007. Field test reports from these countries, their submissions on ED 32, and a staff overview of the field test results are included at Agenda item 13.2.

In broad terms, those that have field tested ED 32 to date have not identified in their field test reports specific impediments to the adoption of the requirements of ED 32 within the time frame reflected in the transitional provisions proposed. However, field testers did note constraints on adoption of certain of the encouraged disclosures and, in at least one case, the adoption of the requirements of ED 32 appear to be part of wider developments in financial management reform which may result in fuller compliance with the Cash Basis IPSAS. In addition, one of these field testers (Uganda) in its submission on ED 32 expressed considerable concern regarding the proposal to require disclosure of the balance of undrawn

assistance. Concerns about the requirement to disclose undrawn assistance were also raised in a number of other submissions on ED 32. The proposed IPSAS for review at this meeting includes amendments intended to overcome these concerns (discussed further below).

Field testing in progress and potential field test partners

Field testing is currently underway in Indonesia and Tadjikistan. It is anticipated that field test reports from these countries will be received by the end of October 2007 and will be included in a subsequent distribution of materials to the Board for this meeting.

Staff have followed up with other countries in Africa that had previously indicated they may be able to field test ED 32, to determine whether the field test is progressing. Any field test results received from these jurisdictions will be forwarded in a subsequent distribution of agenda materials, and/or a verbal report provided at the meeting.

Members and staff have also followed up with relevant bodies/organizations in many other jurisdictions and with international organizations to seek field test partners in Eastern Europe, the Middle East, South East and Central Asia, and Central and South America.

At the July 2007 meeting members directed that staff prepare a report which identifies the countries approached as potential field test partners. This report is included at Agenda item 13.1.

Spanish translation

ED 32 was updated to reflect the substantial amendments agreed at the July 2007 meeting and translated into Spanish by mid August 2007. The IPSASB members from Argentina and Mexico subjected the ED to a technical review and then used it in seeking field test partners in Latin America. At this stage additional field test partners in Latin America have not been identified.

The Spanish translation retained the form of ED 32, although it was made clear that the exposure period had ended and the draft was for field testing purposes only. The Spanish translation, and a marked-up and clean copy of the English version of the ED used for that translation is available on request.

THE PROPOSED IPSAS ON EXTERNAL ASSISTANCE (Amendments To The Cash Basis IPSAS)

Agenda item 13.4 identifies in mark-up format the text of ED 32, amended to reflect decisions made at the July 2007 meeting, which is proposed to be added to the Cash Basis IPSAS. Please use Agenda item 13.4 for your detailed review. Agenda item 13.5 is a clean draft of the proposed amendments – it is provided for illustrative purposes.

Members will note that the structure of the proposed amendments to the Cash Basis IPSAS at Agenda item 13.4 is different from that of ED 32. This is in part to reflect the transition from an ED to a final IPSAS. However, it is also because:

- ED 32 was issued as a stand-alone ED, and the Board determined that final requirements and encouragements should be issued as additional sections/paragraphs in Part 1 and Part 2 of the Cash Basis IPSAS; and
- ED 32 included an “Introduction” and a “Basis for Conclusions”, but the Cash Basis IPSAS does not.

The IPSASB has previously agreed that any amendments in style to the Cash Basis IPSAS, including whether to add an “Introduction” section and a “Basis for Conclusions”, will be considered as part of the full review of that IPSAS. Accordingly, the introductory sections of ED 32, Specific Matters for Comment in ED 32, the Basis for Conclusions in ED 32 have been deleted. They are not illustrated by mark-up - however, a marked-up copy of all amendments to ED 32 is available on request. *(Note: The Basis for Conclusions from ED 32 has been updated to reflect the most recent decisions of the IPSASB and has been retained – it may be useful if the Board determines that a Basis for Conclusions be added to the Cash Basis IPSAS at some time in the future.)*

Amendments To ED 32

The decisions made by the IPSASB in respect of the Specific Matters for Comment included in ED 32 and other key issues are documented in the extract of the minutes attached at Agenda item 13.3, together with an explanation of the amendments that have been made to reflect those decisions.

The additional matters/concerns raised by respondents, staff proposals in respect of them as reviewed by the Board at the July meeting, and the nature and location of amendments made to ED 32 in response are also identified in Agenda item 13.3. *(Note: In some cases, respondents to ED 32 identified matters/concerns that have a broader impact than simply to external assistance. They have been noted by staff for possible consideration in the broader review of the Cash Basis IPSAS.)*

In addition to the other amendments to ED 32 made to reflect the decisions made by the Board at its July 2007, meeting, staff wish to draw members’ attention to the amendments identified below. These amendments either have been made:

- a) to reflect decisions made by the Board at its July 2007 meeting, without the specific wording of the amendment being considered at that meeting; or
- b) in response to matters identified by staff in the process of developing this draft IPSAS. These matters were not raised at the last meeting and, consequently, have not previously been discussed or agreed by the Board.

They are identified below in the sequence in which they arise in the draft IPSAS.

General matters that impact a number of paragraphs

Style and form of the Cash Basis IPSAS

The Cash Basis IPSAS uses “should” rather than “shall” in its black letter paragraphs. This reflects that the IPSASB has not yet updated the Cash Basis IPSAS to reflect the equal authority of black letter requirements and the explanatory text. Terminology in the proposed IPSAS has been amended to “should” for consistency with the current Cash Basis IPSAS.

Clarification of disclosure by way of note

Some submissions on ED 32 noted that it was not always clear whether the location of certain encouraged disclosures was to be in the notes to the financial statements or elsewhere. Staff has amended the text to clarify where the disclosure is to be by way of note.

Elimination of unnecessary explanatory material

At the July 2007 meeting, members agreed that the description of the processes for securing assistance included in ED 32 should be cut back – given the range of approaches possible

and because approaches evolved over time. This reflected comments of a number of respondents. Some respondents also urged the IPSASB to reduce the length of the document wherever possible.

Staff have reduced the text in the paragraphs identified by the IPSASB at its July 2007 meeting (see below). Staff also propose the reduction of some other explanatory text in the interest of achieving an appropriate balance between length and necessary explanation, and to reflect the style of the existing Cash Basis IPSAS. Whether or not an appropriate balance has been achieved is, of course, a matter of judgment.

In reducing the explanation in the text, staff were cognizant that the Cash Basis IPSAS does not currently include a Basis for Conclusion – as such some additional explanation in the text may be justified.

Members are requested to confirm that the deletions proposed to explanatory text are appropriate, identify any explanation that should be restored, and/or identify other explanatory material that could be deleted.

Amendments to current paragraphs of the Cash Basis IPSAS to reflect the addition of requirements and encouragements dealing with external assistance

A number of amendments to existing paragraphs of the Cash Basis IPSAS have been necessary to reflect the addition of the paragraphs dealing with external assistance. These are marked-up in Agenda item 13.4. They are amendments to:

- Paragraphs 1.13.18 and 2.1.30 (d) of the Cash Basis IPAS to acknowledge that Section 10 has been added to Part 1 and paragraphs 2.1.64 – 2.1.93 have been added to Part 2;
- Appendix 1 to reflect that the financial statements of “a Government” illustrate the required disclosures about external assistance; and
- Paragraph 2.1.25 to reinforce the encouragement to disclose the purposes for which payments from external assistance funds - the encouragement itself has been added at paragraph 2.1.66(b).

Amendments to the text of ED 32

Definition of official resources - paragraphs 1.10.1 and 1.10.5

At the July 2007 meeting, members agreed that the definition of official resources and supporting commentary should be amended to clarify that it did not apply to transfers from one level of government to another. The specific wording to achieve this end was not considered at the meeting.

Amendments have been made to the definition of official resources in an attempt to achieve that objective. Additional commentary in paragraph 1.10.5 has also been added to explain that internal transfers within a particular jurisdiction are not external assistance as defined in this IPSAS.

External assistance agreements - paragraphs 1.10.6 and 1.10.7

At its July 2007 meeting, the IPSASB agreed to reduce the text of ED 32 which described the process for securing external assistance (paragraphs 1.9.3 - 1.9.5 of ED 32). There has been substantial reduction of these paragraphs, but description of key features which give rise to subsequent requirements, encouragements or explanations have been retained.

Undrawn external assistance - paragraphs 1.10.18 – 1.10.20

A slim majority of respondents to ED 32 supported retention of the proposed requirement to disclose the amount of undrawn assistance. However, a number of respondents raised fundamental issues with such a disclosure requirement. They expressed concern about whether the amount of undrawn assistance could be readily determined. They noted that potentially onerous conditions may need to be satisfied to access that assistance, and this may mean that access to such assistance is doubtful - consequently, disclosure of the amount of the undrawn assistance may give a misleading picture of the resources available to the entity. They also noted that it was often impractical to require disclosure of all conditions relating to such amounts and expect readers to assess them reliably.

Reflecting the broad directions agreed by the IPSASB at its July 2007 meeting, the proposed IPSAS has been revised to require disclosure of the balance of undrawn assistance when, and only when, the amount of the undrawn assistance is specified in a binding agreement and satisfaction of related conditions is “highly likely”. The commentary explains that this may arise, for example, in respect of undrawn balances of project funding where the conditions relating to the funding have previously been satisfied and it is “highly likely” that they will continue to be satisfied. In these circumstances, any terms and conditions relating to such undrawn assistance should also be disclosed.

The amendment is intended to acknowledge that the majority of respondents supported the disclosure in ED 32 (some noting that there was also merit in disclosure of the conditions attached to such assistance), but also to respond to concerns raised regarding the availability of the undrawn assistance and likelihood of the satisfaction of potentially onerous terms and conditions.

Use of the term “highly likely” was not discussed at the IPSASB meeting in July 2007. At that meeting staff proposed that revisions be made to the text of ED 32 to require disclosure of undrawn assistance where conditions relating to the assistance had previously been satisfied and it was “anticipated” that those conditions will continue to be satisfied in the future. In drafting the proposed amendments, staff was concerned that “anticipated” may not provide the threshold level intended by the Board. Accrual IPSASs use terminology such as “probable” in respect of recognition criteria – IPSAS 23 “Revenue from Non-Exchange Transactions” explains probable in terms of being “...more likely than not” (paragraph 23.35). IPSAS 16 “Investment Property” also uses the term “highly likely” to establish thresholds in respect of estimate ranges (paragraphs 16.89 and 16.90). The Cash Basis IPSAS uses the term “likely” to explain threshold circumstances that may justify disclosure or actions in certain cases (for example Cash Basis IPSAS paragraphs 1.3.11, 1.3.18, 1.4.15, and 1.6.13).

Staff are of the view that given the terminology that is used in the Cash Basis IPSAS, it is appropriate that the term “likely” or “highly likely” be used to establish the threshold for disclosure of undrawn assistance. Given the concern of a number of respondents to ED 32 about the potential for disclosure of undrawn assistance to mislead readers about the amount of assistance that may currently be available to the entity, staff is of the view that use of the more demanding threshold of “highly likely” is justified.

Staff have sought input on this proposed revision from those respondents who expressed concern about the original requirements proposed in ED 32, and will report on feed back at the forthcoming meeting.

The revisions to the requirements to disclose undrawn assistance has also prompted a consequential amendment to paragraph 2.1.72 which encourages disclosure of certain additional information about undrawn assistance. Staff have amended this paragraph to link it to undrawn assistance disclosed in accordance with the requirements of paragraph 1.10.18. Staff are of the view that this reflects the relationship between the requirement to disclose the amount of undrawn assistance and the encouraged additional disclosures that was intended by ED 32.

Non-compliance with terms and conditions - paragraphs 1.10. 25 - 1.10.27

At its July 2007 meeting, the IPSASB agreed that paragraph 1.9.22 in ED 32 (paragraph 1.10.25 of Agenda item 13.4) should be extended to also encompass circumstances in which non-compliance with terms and conditions gave rise to an obligation to return funds previously provided.

This paragraph has also been amended to require the disclosure of the amount of the assistance that has been cancelled or is to be returned. This was not specifically discussed at the last meeting but staff are of the view that it reflects the intent of the Board and is consistent with explanatory paragraphs in ED 32. For example, commentary in paragraph 1.9.24 of ED 32 (paragraph 1.10.27 of Agenda item 13.4) makes it clear that the purpose of the disclosure is to disclose non-compliance that has adversely affected the funds that are available to support the entity’s future operations. In staff’s view, this clearly implies the intent of the Board was to require disclosure of the amounts involved, and the amount was disclosed in the illustrative financial statements.

This matter was not raised by respondents. However, staff is of the view that amendments reflect the intent of 1.9.22 and this was the interpretation made by respondents – hence potential discrepancies between black letter and commentary were not specifically raised in responses to the ED.

Inclusion of the additional wording in the black letter also removes the potential anomaly that paragraph 1.10.23 requires disclosure of the amount of external assistance debt that has been voluntarily rescheduled or cancelled, but paragraph 1.10.25 did not require disclosure of the amount of assistance debt that was cancelled because of non-compliance with terms or conditions.

Members are requested to confirm that it was their intent that disclosure of the amount of the assistance that has been cancelled or is to be returned should be required, and that it was implicit in the commentary paragraphs in ED 32.

Consequential amendments have also been made to paragraph 2.1.84. Text in paragraph 2.1.84 dealing with circumstances in which a default may arise has also been deleted consistent with the Board’s decision to reduce explanatory material where possible.

Effective date and transitional provisions - paragraphs 1.10.28 – 1.10.34

No changes have been made to the requirements and explanation of these paragraphs. However, the sequence of black letter and commentary paragraphs has been revised to better align the flow of requirement and related explanation. The sequence of both black letter and commentary paragraphs is now consistent. It reflects broad relief from comparatives in the first year of application, followed by relief from disclosing undrawn external assistance for two years.

A proposal application date of 1 January 2009 has been identified in expectation of the IPSAS being issued in December 2007. It has been included for the information of readers and reflects that the application date is a full twelve months after issue. This date will be amended to reflect progress on finalization of the IPSAS.

Disclosure of assistance provided by NGOs – paragraphs 2.1.64 to 2.1.65 and Appendix 2

At its July 2007 meeting, the IPSASB agreed that reporting entities should be encouraged to apply the required and encouraged disclosures to assistance received from NGO's where practicable. This encouragement is included at paragraphs 2.1.64 and 2.1.65.

The amendments to Appendix 2 include illustrative disclosures of the application of this encouragement to assistance received from NGO's. The disclosure reflects circumstances in which assistance from NGO's was provided only by way of grant, was not subject to terms and conditions similar to those applying to external assistance and where no amounts were undrawn. This has simplified the illustration of the encouraged disclosures for NGOs. Staff is of the view that this simplified disclosure for NGOs is appropriate - replicating all the encouraged disclosures illustrated for receipt of external assistance (official resources) would overwhelm the illustrative financial statements without providing any new illustrations.

Relationship between paragraphs 2.1.70 and 2.1.72

Paragraph 2.1.70 encourages certain disclosures about providers of external assistance, and paragraph 2.1.72 encourages certain disclosures about undrawn external assistance. Staff are of the view that the relationship between the two paragraphs could usefully be clarified and certain of the disclosures aligned.

Undrawn assistance

The Board has acknowledged the concerns of respondents to ED 32 about the nature and differing interpretations possible for undrawn assistance, and has proposed amendments to clarify and limit the type of the undrawn assistance to be disclosed (in paragraph 1.10.18 – 1.10.20). Staff are of the view that in light of the potential for different interpretations of the meaning of external assistance, there is a case to clarify that the providers of external assistance and amount provided, as referred to in paragraph 2.1.70, does not encompass undrawn amounts – rather undrawn assistance is dealt with by paragraph 2.1.72. As noted above paragraph 2.1.72 has been amended to link back to undrawn assistance disclosed in accordance with the requirements of paragraph 1.10.18.

By each provider or by class of provider

Paragraph 2.1.63 of ED 32 (paragraph 2.1.70 in Agenda item 13.4) encourages disclosure of the amount of loan assistance and grant assistance provided by each provider. Paragraph 2.1.65 of ED 32 (paragraph 2.1.72 in Agenda item 13.4) encouraged disclosure by significant class of the providers of loan assistance and grant assistance that is undrawn. Respondents to ED 32 did not express any concern with this difference in classification (by individual provider for amounts provided in 2.1.63, and by class for undrawn amounts in 2.1.65). However, given these are encouraged rather than required disclosures, staff are of the view that there is a case for aligning the encouragements – the reporting entity is then encouraged to disclose the same detail in respect of external assistance provided during the period and drawn down, and external assistance provided during the period but not drawn down at reporting date.

Currency in which undrawn assistance is provided or held - paragraphs 2.1.72

ED 32 did not encourage disclosure of the currency in which undrawn assistance is held or will be provided. However, the currency was illustrated in Appendix 2 page 36 of ED 32.

Respondents did not object to this illustration and many advocated that originating currencies should be disclosed.

At its July 2007 meeting, the IPSASB agreed that disclosure of the currency in which external assistance is provided should be encouraged. Paragraph 2.1.70 has been amended to reflect this decision and paragraph 2.1.72 has been updated to align with the illustrated disclosure and the encouragement in paragraph 2.1.70. While amendments to paragraph 2.1.72 were not specifically discussed at the July meeting, staff is of the view that it is consistent with the Board view that the currency in which assistance was provided should be disclosed.

Report future debt service payments in the entity’s reporting currency - paragraph 2.1.86

Paragraph 2.1.86 has been amended to make explicit that where disclosures of future debt service payments denominated in a foreign currency are made, the entity is encouraged to report them in the entity’s reporting currency by applying to the foreign currency amount of those payments the closing rate.

This was not previously included in ED 32 as an italicized “encouragement” paragraph. However, it is not a new encouragement. It was included as a non-italicized commentary paragraph in ED 32 (see struck through paragraph 2.1.83 in Agenda item 13.4). Respondents to ED 32 did not object to the inclusion of this encouragement in normal explanatory text. However, Staff is of the view that if the encouragement is to be retained it should be reflected in an encouragement paragraph.

Appendix 6 of ED 32

Appendix 6 was included in ED 32 and was useful in outlining the circumstances and processes for rescheduling or canceling debt. No respondents to ED 32 commented specifically on Appendix 6. However, a number of respondents noted that there was a case for removal of description of processes and procedures in the ED because they did evolve over time and there may be additional or different mechanisms available to entities to secure and revise external assistance.

Staff propose the removal of Appendix 6 “Rescheduled or Cancelled Debt” of ED 32 consistent with the Board’s objective of deleting explanatory material that may become dated and reducing the length of the final Standard.

ED 32 - “Financial Reporting Under the Cash Basis of Accounting — Disclosure Requirements for Recipients of External Assistance”

FIELD TEST PARTNERS APPROACHED

Organizations

IPSASB members and staff have contacted the following organizations to request assistance in identifying field test partners.

World Bank – Regional managers for:

Africa
East Asia and Pacific
Eastern Europe and Central Asia
Latin America and Caribbean
Middle East and North Africa
South Asia

Contacts provided and IPSASB staff followed up with individual countries as suggested to provide background materials and discuss field test approaches and timing.

IPSASB staff have also contacted other World Bank staff and consultants to seek support in identifying field test partners.

IFAC – Developing Nations Committee (DNC)

In its response to ED 32, DNC offered assistance in identifying field test partners. IPSASB staff followed up and advised DNC on contacts already made and in process, and provided background material on ED 32 and field test process. DNC staff circulated request for field test partners and related materials to their contact group, not already covered.

Swiss State Secretariat for Economic Affairs (SECO)

SECO staff and MoFA contacted their field officers and embassies in the following countries to follow up on field test possibilities:

Burkina Faso
Georgia
Indonesia
Kyrgyz Republic
Madagascar
Mozambique
Nigeria
Tadjikistan
Vietnam

IPSASB members and staff have also followed up to provide background materials and discuss field test approaches with SECO field officers and other contacts.

The Swiss Ministry of Foreign Affairs (MoFA)

The Swiss MoFA through its embassy staff facilitated contacts with the Ministry of Finance in the following countries: Indonesia and Vietnam

OECD Joint Venture on Financial Management (OECD – DAC – JV)

OECD – DAC – JV Chair and Secretary advised their members of IPSASB request for field test partners. Field testing was discussed at OECD – DAC – JV meetings in 2006 and 2007. A number of members of the OECD-DAC-JV indicated an interest in field testing the ED.

Accounting Bodies of West Africa

Request for assistance in identifying field test partners made to association when IPSASB met in Accra in March 2007

East and South African Accountants General (ESAAG)

ESAAG advised their member countries of the IPSASB interest in identifying field test partners.

IPSASB staff followed up with the following countries to provide background material and discuss field test process. Botswana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Rwanda, South Africa, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

IPSASB Member Countries and Member Regions

IPSASB Members and Observers have contacted potential field test partners in their countries/regions/organizations/spheres of influence as appropriate.

IPSASB Consultative Group

IPSASB staff have contacted IPSASB Consultative Group members to seek assistance in identifying field test partners.

Individual Countries

IPSASB Members and staff have also made contact directly with relevant organizations in the following countries.

In most cases contact was made with senior Ministry of Finance staff in each of the following countries. In some cases, initial contact was made with the accounting body or other influential body (Embassy or major private sector entity) in the country which has acted as a conduit to the Ministry of Finance staff. In a number of cases contacts were made with leads provided by IPSASB Members and Observers and the organizations noted above.

Argentina – Ministry of Finance

Azerbaijan– Ministry of Finance

Costa Rica – Accounting body and private sector organization acting as conduits to Ministry of Finance

Bangladesh – World Bank field officer, acting as conduit to Ministry of Finance

Burkina – Faso - Ministry of Finance

Estonia - Ministry of Finance

Ghana - Accountant General

Guatemala – Private sector organization acting as conduit to Ministry of Finance

Honduras - Private sector organization - acting as conduit to Ministry of Finance

India - Ministry of Finance or equivalent

Indonesia – Swiss Embassy staff and Ministry of Finance

Kazakhstan – USAID contractor

Kenya – Accountant General
Kosovo – Ministry of Finance and Economy
Kyrgyz Republic – Swiss Embassy staff and Ministry of Finance
Lesotho - Accountant General
Malaysia – Former IPSASB member, Ministry of Finance
Mexico - Ministry of Finance or equivalent
Montenegro - Ministry of Finance
Namibia – Ministry of Finance
Nicaragua - Private sector organization - acting as conduit to Ministry of Finance
Nigeria - Accountant General
Serbia – Ministry of Finance
Salvador - Accounting Body and Ministry of Finance
Sierra Leone - Head of PFM Reforms and Auditor General
Slovak Republic – Ministry of Finance
Sri Lanka – Ministry of Finance
Tadzhikistan – Ministry of Finance
Uganda - Accountant General
Uzbekistan – Ministry of Finance
Vanuatu – Ministry of Finance
Vietnam – Ministry of Finance, World Bank staff including field offices and Swiss Embassy staff



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International Public Sector Accounting Standards Board

Field Test Protocols:

**ED 32 “Financial Reporting Under the Cash Basis of Accounting – Disclosure
Requirements for Recipients of External Assistance”**

*Broad outline of Field Test Protocols – subject to further development/refinement in
conjunction with the Ministry of Finance or other field tester in each jurisdiction.*

*These Protocols deal separately with the requirements (Part 1 of ED 32) and the
encouragements (Part 2 of ED 32). The primary focus/need is to generate field test results for
Part 1 of ED 32, but input on Part 2 is also most welcome.*

SUGGESTED PROCESS

1. Apply ED 32 to data generated to prepare the most recent financial statements that have been finalised (2006, 2005 or 2004) - the more recent the year for which the data is available the better.

Compile the required disclosures consistent with the ED requirements based on the information available for the field test year. It is only necessary to do it for one year for field testing purposes. However, comparative information for the previous year is also welcome if available.

2. Identify whether there are parts of the required component of the ED (Part 1) that the recipient country/reporting entity could not comply with in the field test year.
3. Advise on whether the recipient country/reporting entity could structure its data collection system to generate data to comply with all requirements within a short period of time – indicate whether compliance would be possible within 12 months, 2 years or a longer period.

This will assist the IPSASB to identify any transitional provisions that might be needed.

4. Advise whether Part 1 of the ED requires the disclosure of information which is not currently available, and which it is unlikely will be able to be generated however long a transitional period is allowed. For example, because the information is not provided by donors, because the requirement(s) of a particular paragraph of Part 1 of the ED is not clear, because currently the data is not gathered and it is too costly to restructure the system to do so, because of other reasons (please identify those reasons).

This will assist the IPSASB in assessing the cost-benefits of particular requirements of the ED, the practicability of the requirements, and the need to discuss further the availability of data with donors.

5. Advise on whether the recipient country/reporting entity could have complied with all or some of the encouraged disclosures in Part 2 of the ED in the field test year – if compliance with only some was possible, identify those disclosures. Views on whether it is useful to make such disclosures would also be most helpful.
6. Identify any encouraged disclosures which could not be complied with in the field test year, but which the recipient country/reporting entity believes would be useful to disclose in the future.

Also advise on whether revisions to data collection systems are necessary to enable these additional disclosures to be made in the future, and whether such revisions are practicable or are prohibitively costly.

This will assist the IPSASB to identify whether revisions to the encouraged disclosures are necessary.

7. Provide a brief note on the current basis of financial reporting, including whether the reporting entity currently applies the Cash Basis IPSAS.
8. Compile this data/advice in a brief report to the IPSASB.

IPSASB staff are available to provide input on the form of such a report and its contents, on request. Please contact Paul Sutcliffe at psutcliffe@ifac.org

ED 32 - Field Test Reports Overview of Field Test Results

Introduction

Field tests have been undertaken by the Accountant-Generals’ offices in Uganda, Nigeria and Ghana.

Ghana provided a briefing on current practice to the Chair and Technical Director in conjunction with the IPSASB meeting in Accra in March 2007 and incorporated its field test report in the submission it made on ED 32.

Nigeria provided a dedicated field test report which identified current practice (2005 financial statements) and developments necessary to achieve compliance with ED 32 in the future, together with major constraints on that compliance.

Uganda provided a field test report identifying the extent to which current practice complied with the proposals in ED 32, actions necessary to comply with the remaining requirements in the future and major constraints on that future compliance, Uganda also made a separate submission on the specific matters for comment and other issues raised in respect of ED 32.

Field test reports from each of these countries and submissions on ED 32 where submitted separately are attached to this overview.

Current practice and future developments

A staff summary of current status of compliance with the required disclosures proposed in ED 32 is attached to this overview (Attachment 1). It is based on the field test reports received. The following outlines the major features of those reports including observations regarding the encouraged disclosures and future actions intended to result in compliance with ED 32 requirements. in future and observations made by the field

Uganda

The field test report reflects that Uganda currently complies with a number of the required disclosures proposed in ED 32, and anticipates being in a position to comply with the majority of the requirements in Part 1 of ED 32 for the 2007 financial year. To major area of data collection and system development reform to achieve this result is relates to separate disclosure of third party payments. However, the separate submission on ED 32 expresses substantial concern with the proposed requirement in ED 32 to disclose the amount of undrawn assistance and this field test report notes that the practicality of making the encouraged disclosures in respect of undrawn assistance is yet to be tested.

The Report also notes that notes that while compliance with most of the encouraged disclosures is anticipated to be achievable within a short period of time:

- (a) there may be sensitivities about the disclosure of the identify of providers of particular types of assistance (e.g. military assistance);
- (b) the costs of obtaining information about the value of goods and services received, and the system implications mean these disclosures will not be made;
- (d) disclosure of the terms and conditions of external assistance agreements has still to be field tested. Concern is expressed that the volume of such disclosure may be overwhelming given the number of agreements in place and the nature of the terms and conditions specified in each;
- (e) disclosure of a summary of repayment terms and conditions of distributed external assistance debt is yet to be field tested.

Nigeria

The field test report notes that the current financial statements have not been structured to disclose on the face of the financial statements the total amount of external assistance received, third party settlements, or classes of providers of external assistance. Of these items, only the disclosure of the amount of external assistance is required to be made on the face of the Statement of Cash Receipts and Payments. The other disclosures may be made on the face of the statement or in notes thereto. Staff is following up to clarify whether these disclosures are made in notes to the financial statements.

The field test report also advises that notes to the financial statements do not include a number of the other disclosures proposed by ED 32, but compliance for 2008 financial statements is possible by fast tracking certain components of what appear to be potentially broad reform agenda for strengthening financial management and reporting – including establishment of the legislature and reporting framework necessary to support implementation of the proposed requirements and training other capacity building activities.

Specific problem areas with ED 32 were not identified. Of course, it may well be that as progress is made in implementing the ED, additional specific compliance issues may be faced. Significantly, the field test report does note that information is routinely collected to respond to the needs of individual donor agencies – key data is therefore likely to be available though such data is not consolidated for inclusion in governmental financial statements. (The report also notes that some agencies may prepare financial statements on an accrual basis and consolidation is impracticable.)

Ghana

Ghana submitted a response to ED 32 which was informed by their field test experience. Illustrative financial statements (for 2006 and 2005) identifying the current potential for compliance with ED 32 were provided to the Chair and Technical Director in a separate briefing in Accra in March – they are attached.

The submission made by Ghana identified no major concerns with the proposed requirements in ED 32 and the illustrative financial statements reflect that data to support a number of the proposed disclosures is currently available, albeit that the financial statements are prepared on a modified cash basis. The major areas requiring further development to achieve compliance with ED 32 required disclosures appear to be in respect of third party settlements, undrawn assistance and disclosure of terms and conditions not complied with which have resulted in cancellation of assistance, if such has occurred. In this context, the submission on ED does note that:

- (a) disclosure of the terms and conditions of external assistance agreements may be constrained by confidentiality agreements;
- (b) disclosure of undrawn external assistance may have implications for access to other assistance – though this should not be an impediment to supporting the disclosure;
- (c) classifying and aggregating the terms and conditions for representation in notes to the financial statements may present some display challenges;

The submission also notes that data necessary to establish the value of assistance provided in the form of goods and services not be available, and donors would need to provide data if this encouragement/requirement is to be complied with.

Attachment 1

Field Test Overview – ED 32 proposed required disclosures by Recipients of External Assistance (EA)
Staff summary based on the field test reports received
(Paragraph numbers in brackets refer to ED 32)

ED 32 – Required Disclosures	Uganda	Nigeria	Ghana
Definitions (paragraph 1.9.1)	No concerns identified in field test report. <i>(Includes proposals for drafting amendments in submission on ED 32 - staff have revised in response.)</i>	No specific concerns identified.	No substantial concerns identified. <i>(Includes proposals for refinement of explanation in ED 32 - staff have revised in response.)</i>
Separate disclosure of total external assistance on face of Statement (paragraph 1.9.6)	Currently complying with.	Not currently complying with - but compliance by end 2008 possible.	Largely complied with currently. No specific concerns identified.
Third party settlements (paragraph 1.9.7)	Not currently complying with - but compliance for 2007 accounts possible.	Not currently complying with - but compliance by end 2008 possible.	No specific concerns identified. Illustrative financial statements do not disclose 3 rd party settlements.
Classes of provider (paragraph 1.9.8)	Currently complying with.	Not currently complying with - but compliance by end 2008 possible.	Largely complied with currently. No specific concerns identified.
Total amount of loans and grants (paragraph 1.9.9)	Currently complying with.	Currently can comply with.	Largely complied with currently. No specific concerns identified.
Undrawn external assistance loans (paragraph 1.9.16)	Not currently complying with – but compliance for 2007 accounts possible. However, note concerns about misinterpretation raised in submission on ED 32.	Not currently complying with.	Not disclosed in illustrative financial statements – but no specific concerns identified.

Attachment 1

Field Test Overview – ED 32 proposed required disclosures by Recipients of External Assistance (EA)
Staff summary based on the field test reports received
(Paragraph numbers in brackets refer to ED 32)

ED 32 – Required Disclosures	Uganda	Nigeria	Ghana
Basis of valuation of any goods and services disclosed (paragraph 1.9.18)	Not disclosed. (ED 32 encourages, but does not require disclosure.)	Not disclosed. (ED 32 encourages, but does not require disclosure.)	Notes that donors will need to provide data to support this disclosure.
External assistance debt rescheduled cancelled and terms and conditions (paragraph 1.9.20)	Compliance to begin in 2007 accounts.	Not currently complying with.	Not disclosed in illustrative financial statements - but no specific concerns identified.
Significant terms and conditions not complied with when external assistance cancelled (paragraph 1.9.22)	Compliance to begin in 2007 accounts.	No currently complying with	Not disclosed in illustrative financial statements - no specific concerns identified but notes that some terms may be confidential.
Effective date and transferred provisions (paragraph 1.9.25 – 1.9.28)	No concerns identified in field test though submission notes 3 years may not be sufficient.	No concerns identified.	No specific concerns identified.

Field Test Report from Uganda

Dear Paul,

I have been instructed to submit to you the above by the Accountant General (Mr. G.O.L. Bwoch).

Find attached our assessment of the status of our compliance with the requirements of ED32. As you will note, we will be able to fully comply with the mandatory requirements (Part 1 of the proposed standard) in the presentation of the financial statements for the current financial year ending 30th June 2007. we have also included the constraints that we face.

I hope you will find it useful.

Best Regards

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Field Test Report Uganda

FIELD TESTING OF THE REQUIREMENTS OF ED32 IN FINANCIAL REPORTING FOR THE GOVERNMENT OF UGANDA

S/N	DISCLOSURE REQUIREMENT	STATUS OF COMPLIANCE	COMMENT/ CONSTRAINT
PART 1: REQUIRED DISCLOSURES			
A	External assistance received		
1.	External assistance received (para 1.9.6)	Already complying with this requirement	
2.	Separate disclosure of assistance paid by third parties (Para 1.97)	Not yet complying. Expected to comply in the accounts for the year ended 30 th June 2007)	Our current system does not disaggregate payments made by third parties. We require some modifications to the system.
3.	Separate disclosure of significant Classes of providers of assistance (Para 1.98)	Already complying. We disclose multilateral and bilateral providers separately in the notes to accounts.	
4.	Separate disclosure of loan and grants.	Already complying. We disclose Loans and Grants separately in the notes to accounts	

Field Test Report Uganda

S/N	DISCLOSURE REQUIREMENT	STATUS OF COMPLIANCE	COMMENT/ CONSTRAINT
B	Undrawn External Assistance		
5.	Separate disclosure of balance of undrawn external assistance (para 1.9.16).	Full compliance in the accounts for the year ending 30 th June 2007	No major constraints envisaged
6.	Receipt of Goods or Services in Kind (para 1.9.18)	We elect not to disclose this.	The information is not readily available and this is a discretionary requirement. Even if it was mandatory, the costs of obtaining this information would be high and such a system would take some time to implement and rely on.
	Disclosure of Debt rescheduled or Cancelled		
7.	Disclosure of Debt rescheduled or Cancelled (1.9.20)	Compliance to begin in the accounts for the year ending 30 th June 2007	No major constraints envisaged
8.	Disclosure of Non Compliance with Significant Terms and Conditions (1.9.22)	Compliance to begin in the accounts for the year ending 30 th June 2007	No major constraints envisaged
9.	Compliance with transitional provisions	We do not intend to apply the provisions of 1.9.26.	No major constraints envisaged

Field Test Report Uganda

S/N	DISCLOSURE REQUIREMENT	STATUS OF COMPLIANCE	COMMENT/ CONSTRAINT
PART 2: ENCOURAGED ADDITIONAL DISCLOSURES			
10	Disclosure of Purpose for which external assistance was received by significant class (para 2.1.60)	Compliance to begin in the accounts for the year ending 30 th June 2007	No major constraints envisaged
11	Disclosure of identity of each provider of external assistance (para 2.1.63)	Compliance to begin in the accounts for the year ending 30 th June 2007	We anticipate to be constrained by external assistance for Military assistance if any.
12	Disclosure by significant class of providers, purpose and changes in undrawn loan assistance and undrawn grant assistance (para 2.1.65)	Attempt at Compliance to begin in the accounts for the year ending 30 th June 2007	
13	Disclosure of terms and conditions of external assistance agreements that determine or affect access to, or limit the use of external assistance (para 2.1.69)	Modalities still to be developed Compliance with this will be considered much later.	We currently have an external assistance portfolio of over 100 disbursing grants and over 40 disbursing loans under different agreements, with different terms and conditions. A single agreement usually has multiple terms and conditions affecting access. Disclosure of the same might misrepresent the intentions of the reports. We require more time to undertake this.

Field Test Report Uganda

S/N	DISCLOSURE REQUIREMENT	STATUS OF COMPLIANCE	COMMENT/ CONSTRAINT
14	Disclosure of outstanding balance of external assistance loans for which performance has been guaranteed by third parties, any terms and conditions arising from the guarantee. (para 2.1.73)		More review is still being undertaken to confirm whether this situation is obtaining
15	Disclosure of other significant terms and conditions of external assistance loans, grants, or guarantees, that have not been complied with together with the consequence of non-compliance. (para 2.1.76)	As with paragraph 2.1.69, compliance with this will be considered much later.	
16	Disclosure of a summary of repayment terms and conditions of outstanding external assistance (2.1.80)	To be piloted in the year ending 30th June 2008	
17	Separate disclosure of the value of external assistance received in form of goods and services (2.1.80)	To be considered much later	Currently we have no central system of obtaining reliable information on this. Setting up a system for this purpose requires significant resources currently unavailable.

THE REPUBLIC OF UGANDA
MINISTRY OF FINANCE, PLANNING AND ECONOMIC
DEVELOPMENT
ACCOUNTANT GENERAL'S OFFICE

COMMENTS ON EXPOSURE DRAFT 32 –
FINANCIAL REPORTING UNDER THE CASH BASIS OF
ACCOUNTING - DISCLOSURE REQUIREMENTS FOR RECIPIENTS
OF EXTERNAL ASSISTANCE

UGANDA COMMENTS ON EXPOSURE DRAFT 32

Introduction

We are once again grateful to the International Public Sector Accounting Standards Board for giving us another opportunity to comment on Exposure Draft 32 after we had submitted comments on Exposure draft 24.

We note that this ED took into account our earlier comments and splits the disclosure requirements into mandatory and discretionary ones. We are indeed encouraged.

General

As indicated in our comments to ED24, we are still in support of the Exposure Draft in general because it handles a pertinent area for developing countries that continue to receive material amounts of external assistance.

We note that the Exposure Draft is now clearer as to whether the disclosure requirements are all mandatory or not. We believe this distinction is an important step towards making the standard applicable.

Below we provide our specific Comments.

Comments on ED 32 from Uganda

UGANDA COMMENTS ON EXPOSURE DRAFT 32

Comments on the Specific Matters

1. *Whether the designation of certain disclosures as required and other disclosures as encouraged is appropriate.*

Recognizing the cost implications of compliance with mandatory requirements, it is vital to have mandatory and discretionary disclosures in the standard. However, disclosure of **Undrawn External Assistance** (para 1.9.16) may give a misleading picture. Whereas, as it is argued, such a disclosure will indicate the extent to which the entity may avail itself of the external assistance loans and grants to sustain operations in future, it must be recognized that this assistance may be tied to continued fulfillment of certain onerous conditions and its realization may be highly doubtful. As such, if disclosure of **Undrawn External Assistance** is to remain mandatory, the terms and conditions related to it (undrawn external assistance) should be made mandatory to help the reader of the financial statement make correct interpretation. In the alternative, this requirement should be made discretionary.

2. *Whether the Cash Basis IPSAS “Financial Reporting Under the Cash Basis of Accounting” should be amended to include the additional required and encouraged disclosures, or whether the required and encouraged disclosures should be issued as a separate “stand alone” Cash Basis IPSAS.*

As indicated in our comments to ED24, this initiative is an expansion of the Cash IPSAS en route to full accrual, we should therefore incorporate it in the Cash basis IPSAS as an amendment rather than issuing separate standard.

3. *Whether the proposed definition of “external assistance” in paragraph 1.9.1 is sufficiently broad to encompass all official resources received.*

The definition of external assistance in paragraph 1.9.1 appears to be reasonable.

4. *Whether the separate disclosures of the amount of external assistance should be required on the face of the Statement of Cash Receipts and Payments as is currently required in paragraph 1.9.6, or whether the IPSAS should allow such disclosure to be made either on the face of the Statement of Cash Receipts and Payments or in the notes thereto.*

This requirement is reasonable. It is better to disclose the requirements in 1.9.6 on the face of the statement of cash receipts and payments especially for a non-accounting audience.

5. *Whether other sources of assistance, such as assistance provided by nongovernmental organizations (NGOs), should also be included in the definition of “external assistance”. Currently, the proposed Standard requires that entities disclose all official resources received. Official resources as defined in paragraph 1.9.1 would exclude certain assistance received from NGOs.*

UGANDA COMMENTS ON EXPOSURE DRAFT 32

This provision appears to be reasonable, but might leave out significant resources received from NGOs. NGOs provide a lot of assistance to various public sector entities and should be reported upon, to the extent possible. We suggest that resources from NGOs be reported on as discretionary disclosure.

6. *Whether the Standard should encourage the disclosure of specific categories of external assistance or only the disclosure of external assistance by “significant classes” without further specification. Paragraph 2.1.60 encourages the disclosure of external assistance by significant classes. Paragraph 2.1.61 includes a description of some such classes.*

Since the standard provides for this disclosure as a discretionary disclosure, when an entity elects to disclose the contents of 2.1.61, then they should be able to disclose the specific categories. Generally, users (especially the general public) are interested in not only the source of the assistance but also the use of the proceeds. Disclosure of the assistance by category would, therefore, help identify the purpose of the resources and therefore facilitate follow up action. It is also possible that there is other assistance outside the named categories and its disclosure should be facilitated.

The foregoing notwithstanding, we should remain conscious of the difficulty of obtaining information on military assistance. Further, the proposed standard should note the particular challenges of accounting for emergency assistance especially when this is made in-kind or to third parties.

7. *The proposal to require disclosure of the balance of undrawn external assistance loans and grants (paragraph 1.9.16), and encourage disclosure of changes therein during the period (paragraph 2.1.65(c)).*

As said in 1) above, disclosure of **Undrawn External Assistance** (para 1.9.16) may give a misleading picture. Whereas, as it is argued, such a disclosure will indicate the extent to which the entity may avail itself of the external assistance loans and grants to sustain operations in future, it must be recognized that this assistance may be tied to continued fulfillment of certain onerous conditions and its realization may be highly doubtful. As such, the terms and conditions related to the undrawn external assistance should be made mandatory to help the reader of the financial statement make correct interpretation. We proposed an alternative, that, this requirement should be made discretionary. So should be the encouraged disclosure of changes in the undrawn external assistance loans and grants.

8. *Whether the disclosure of the terms and conditions of external assistance agreements that determine or effect access to, or limit the use of, external assistance which is currently encouraged (paragraph 2.1.69), should be reclassified as a required disclosure.*

Generally speaking, terms and conditions of external assistance agreements should not be part of the reporting standards. As noted in our earlier submission, some agreements might have confidentiality/non-disclosure clauses. Any move to disclose should bear in mind the impact of disclosure on the sovereignty of the entity. Further, a single agreement could have multiple prior actions/ conditionality and disclosure of which would misrepresent the intentions of the reports. For example in Uganda we currently have external assistance portfolio of 82

Comments on ED 32 from Uganda

disbursing grants and 44 disbursing loans under different agreements, with different terms and conditions. An entity like ours would have a hardly surmountable challenge to meet such a disclosure requirement.

The proposal for this disclosure is tough enough even under discretionary disclosure, as such, and at worst it should remain discretionary.

Noting the value arising out of such disclosure (as outlined in Para 2.172), reporting does not have to include all the terms, but there could be emphasis on reporting by exception to focus on breach of terms and conditions rather than the terms and conditions per se.

We also note that there are terms and conditions that may result into a liability when breached i.e. the provider requires that where certain terms and conditions are breached, the amount already disbursed shall become immediately claimable. In such a case, there is a liability looming. Such contingent liabilities should be disclosed as provided for by the Public Sector Accounting Standards. It is our considered view that the benefits out of recognising contingent liabilities are higher than the benefits of understanding the extent to which external assistance is subject to conditions. It might be more beneficial to build the capacity of entities to develop stringent legislation regarding terms and conditions as well as incidence of external assistance.

9. *Whether it is appropriate to encourage disclosure of the value of external assistance received in the form of non-cash goods and services (paragraph 2.1.85) and, if an entity elects to make such disclosure, to require disclosure of the basis on which that value was determined (paragraph 1.9.18).*

The encouraged disclosure appears reasonable to us. The explanations in para 2.186, 2.186 and 2.188 are reasonable and convincing.

10. *Whether the transitional provisions in paragraphs 1.9.26 and 1.9.27 are appropriate:*

(a) *Paragraph 1.9.26 provides for a transitional period of two years for disclosure of the balance of undrawn external assistance; and*

Considering the adjustments required in our systems and the requirement to disclose terms and conditions, a three years period is better. However, if the disclosure of terms and conditions is not part of the requirement, a two-years period is reasonable.

(b) *Paragraph 1.9.27 provides an exemption from the requirement to disclose comparative figures during the first year of application of the requirements relating to external assistance.*

This is reasonable.

UGANDA COMMENTS ON EXPOSURE DRAFT 32

The IPSASB would welcome comments on whether other requirements of this Standard should also be subject to transitional provisions.

They shouldn't be subject to transitional arrangements.

11. Whether there are additional disclosures that have not been dealt with and should be required or should be encouraged.

- (a) As stated in our comments on ED24, the definition of NGO (page 12) – specifying of purpose of NGO to providing assistance to government(s), government agencies or individuals appears to be too restrictive. Some NGOs provide support to groups rather than government or individuals. Could add to the definition **“or organizations whose activities complement those of the government to provide for the welfare of the people”**.
- (b) Definition of Official Resources (page 12) – the last phrase, “at their own risk and responsibility” is not clear and might even suggest that these agencies take some risk after provision of the assistance so that for example if the money is used to construct a bridge and it collapses, the donor is responsible. Could rephrase this to: **“to be available for use to meet the entity’s objectives”**. Please also note that some of the assistance goes directly to the target activities or individuals e.g. emergency relief supplied directly to an emergency area. It should also be noted that some of the assistance is not by official agreement, but this would obviously be difficult to account for, but where information is available, disclosure (discretionary) would be good.

Re: Field Test of Exposure Draft 32
Nigeria Experience

1. **Introduction**

In November 2006 IFAC’s IPSASB issued Exposure Draft (ED) 32 to propose amendments to IPSAS - (Financial Reporting under the Cash Basis of Accounting).

Specifically **IPSASB ED 32** proposes certain disclosure requirements for Recipients of External Assistance. **IPSASB ED 32** Ref No. 1.9.1 defines **External Assistance** to mean “all official resources (loans, grants, technical assistance, guarantees or other assistance provided or committed under a binding agreement) which the recipient can use or otherwise benefit from in pursuit of its objectives.” In order for IFAC to issue the relevant International Public Sector Accounting Standard, stakeholders were given up to March 31st 2007 to comment on **ED 32**. In addition to this, **ED 32** is to be field-tested. At the 6th meeting of OECD’s Joint Venture on Public Financial Management held on 29th to 30th of June, 2006 in Paris, France, Nigeria, along with Madagascar and Burkina Faso volunteered to field-test **ED 32**.

2. **Terms of Reference**

The Terms of Reference (TOR) applied were as follows:

- i) To identify the **Specific Disclosure** requirements (Ref. 1.9.6 to Ref. 1.9.19), as well as the **Encouraged Additional Disclosure** requirements (Ref. 2.1.60 to Ref. 2.1.85) in **E.D. 32**.
- ii) To determine the level of compliance of the 2005 Financial Statements of the Federal Government of Nigeria with the above identified disclosure requirements.
- iii) To determine the areas of non-compliance and the reasons for non-compliance with **ED 32** disclosure requirements.
- iv) To determine whether there would be compliance in the nearest future, and the likely period this would be achieved.
- v) To enumerate the steps that need to be taken towards compliance, including the time frame for achieving full compliance.

3. **Format of ED 32**

- (i) In accordance with **ED 32**, the recommended new presentation format for Cash Receipts & Payments in the Financial Statements of the Federal Government of Nigeria should appear as follows:

FEDERAL GOVERNMENT OF NIGERIA
CONSOLIDATED FINANCIAL STATEMENT OF CASH RECEIPTS AND
PAYMENTS FOR THE YEAR ENDED 31 DECEMBER 200X
(RECEIPTS ONLY)

		200x		200x-1	
	Note	Cash Receipts N(000)	Payments by third parties N(000)	Cash Receipts N(000)	Payments by third parties N(000)
RECEIPTS					
Taxation					
Income tax		x	-	x	-
Value-added Tax-(VAT)		x	-	x	-
Property tax		x	-	x	-
Other taxes		x	-	x	-
		x	-	x	-
External Assistance					
Multilateral		x	-	x	-
Bilateral		x	-	x	-
		x	-	x	-
Other Grants		x	-	x	-
Other borrowings		x	-	x	-
		x	-	x	-
Capital Receipts					
Proceeds from disposal of plant & equipment		x	-	x	-
Trading activities					
Receipts from trading activities		x	-	x	-
Other receipts		x	-	x	-
Total receipts		x	-	x	-

NOTE

No amendments are proposed to the illustration of "Payments" in the **Statement of Cash Receipts and Payments**, in line with **Cash Basis IPSAS**.

4. **Cash Flow Statement of the Federal Government of Nigeria for the year 200X:
Proposed Format under ED 32**

The following is the outline format that should be adopted in the preparation of the 2005 Financial Statements of the Federal Government of Nigeria.

FEDERAL GOVERNMENT OF NIGERIA
CASH FLOW STATEMENT FOR THE YEARENDED 31ST
DECEMBER, 200X

	Note	2005 Cash Receipts N(000)	2004 Cash Receipts N(000)
RECEIPTS			
Independent Revenue		X	x
Allocations from FAAC		X	x
FAAC Allocatns to agencies		X	x
VAT Allocations		X	x
Sub Total Fed & Ind Revenue		xx	xx
External Assistance			
Loans Bilateral		X	x
Loans Multilateral		X	x
Internal Loans		X	x
Sub Total Loans		xx	xx
Grants			
Bilateral		X	x
Multilateral		X	x
Internal		X	x
Sub Total Grants		xx	xx
Total receipts		<u>xx</u>	<u>xx</u>

5. **Cash Flow Statement of the Federal Government of Nigeria for the year 2005:
Actual Presentation**

The following is the actual format of presentation of the Cash Flow Statement in the Financial Statements of the Federal Government of Nigeria for the year ended 31st December, 2005.

FEDERAL GOVERNMENT OF NIGERIA
CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2005

	CURRENT YEAR 2005 N	PREVIOUS YEAR 2004 N
<u>CashFlows from Operating Activities:</u>		
<u>Receipts:</u>		
Statutory Allocations:	X	X
Direct Taxes:	X	X
Licences and Internal Revenue:	X	X
Mining:	X	X
Fees:	X	X
Earnings and Sales:	X	X
Rent on Government Property:	X	X
Interest and Repayment-General:	X	X
Interest and Repayment-States:	X	X
Re-Imbursement:	X	X
Armed Forces:	X	X
Miscellaneous:	X	X
Grants:-	X	X
Total Receipts:-	X	X
<u>Payments:</u>		
Personnel Costs:	X	X
Overhead Charges:	X	X
Consolidated Revenue Fund Charges:	X	X
Subvention to Parastatals:	X	X
Total Payments:-	X	X

Net Cash Flow from Operating Activities:	X	X
<u>CashFlows from Investment Activities:</u>		
Purchase/Construction of Assets:	X	X
Purchase of Financial Market Instruments:	X	X
Proceeds from sale of Assets:	X	X
Net Cash Flow from Investment Activities:	X	X
<u>CashFlows from Financing Activities:</u>		
Proceeds from Loan & Other Borrowings(NTB):	X	X
Internal Loans:-	X	X
Repayment of Loans(NTB):	X	X
Net Cash Flow from Financing Activities:	X	X
Net Increase/(Decrease) in Below-the-Line items:	X	X
Net Increase/Decrease in Cash & Its Equivalent:	X	X
Cash & Its Equivalent as at 1st January, 2004	X	X
Cash & Its Equivalent as at 31st December, 2004	X	X

6. **Areas of Compliance of the 2005 Financial Statements with ED 32**

ED 32 Ref: 1.9.9

Provision has been made in the Cash Flow Statement and Notes for the separate disclosure of Loans and Grants

7. **Areas of Non-Compliance of the 2005 Financial Statements with ED 32**

ED 32 Ref 1.9.6

External assistance received not shown on the face of the Cash Flow Statement

ED 32 Ref 1.9.7

Third party settlement of obligations on behalf of the government not disclosed on the face of the Cash Flow Statement.

ED 32 Ref 1.9.8

Details of the various classes of external assistance providers have not been shown in the Cash Flow Statement.

ED 32 Ref 1.9.16

No details of un-drawn external assistance in the form of loans or grants have been shown in the Financial Statements or notes to the accounts

ED 32 Ref 1.9.18

No valuation of external assistance received in the form of Goods & Services have been shown in the Financial Statements.

ED 32 Ref 1.9.20

Debts rescheduled or cancelled have not been disclosed in these Financial Statements.

ED 32 Ref 1.9.22

Disclosure of non-compliance with significant terms and conditions embodied in the various assistance agreements. There is no note to this effect in the Financial Statements.

Encouraged Additional Disclosures Ref No. 2.1.60 to 2.1.85

The Financial Statements of the Federal Government of Nigeria, at present do not disclose Encouraged Additional Disclosures recommended by ED 32.

8. Reasons for Non-Compliance

- (i) Non-disclosure of External Assistance in the Transcripts of Accounts of beneficiary Ministries, Departments and Agencies (MDAs). The maintenance of separate Bank accounts for the domiciliation of external assistance funds, along with the maintenance of separate books of accounts are often part of Donor Agency requirements.
- (ii) Budgetary restrictions as its inclusion may affect total expenditure of the beneficiary MDAs.
- (iii) Statute establishing some beneficiary agencies allows accrual basis of accounting preparation making consolidation of Financial Statements impracticable.

9. Preparation for compliance-Recommendations

The following actions need to be taken in order to achieve compliance with the requirements of **ED 32**.

- (i) Amendment of the Chart of Accounts (COA) to create additional codes that would facilitate the tracking of external assistance transactions.
 - (ii) Amendment of the format of the Transcript of accounts (Monthly Return of Accounts from Ministries, Department and Agencies-MDAs), to include transactions relating to external assistance..-
- (See Appendix 1)

- (iii) Immediate constitution of a Committee to draft a Bill to be sponsored by the Federal Ministry of Finance, in conjunction with National Planning Commission, Federal Bureau of Statistics and other participating beneficiary Ministries, Departments and Agencies, to guide Donor-Agency activities in Nigeria.
- (iv) Training and Capacity-building on (i) and (ii) above
- (v) Modernization of the Accounting Process, particularly by fast tracking the computerization process.
- (vi) In the interim, the Accountant-General of the Federation to issue a Treasury Circular mandating all MDAs, to disclose in their monthly returns (Transcripts of Accounts), all transactions (receipts and payments) pertaining to external assistance.

10. **Estimated time frame for compliance**

The recommendations listed in paragraph 9 will probably require a minimum of one legislative term, in Nigeria’s Democratic Calendar, (i.e. 4 years), to achieve, the **critical activity** being the passage of the proposed Bill in paragraph 9 (iii) above, by the country’s National Assembly. However, the immediate implementation of the recommendation in paragraph 9 (vi) will ensure compliance with **ED 32** by the year 2008 Financial Statements.

11. **Conclusion**

It is important that Nigerian Government complies with the requirements of **ED 32**. The benefits of compliance to the economy include:

- i) The provision of information to external donors for transparency purposes.
- ii) Compliance with **ED 32** will provide a measure of the magnitude of External Assistance in the Nigerian Economy.
- iii) It will provide a more accurate picture of Government Receipts and Expenditure profile.
- iv) Determine the level of government dependency on external assistance under emergency situations.
- v) Allows for easy comparability of the Financial Statements amongst countries.
- vi) Reduces the multiplicity of report requirements by donor agencies.
- vii) Ensures uniformity in the application of funds within the economy, hence the ability to compare reports of one-tier of government with another.

APPENDIX 1

FEDERAL GOVERNMENT OF NIGERIA
PROPOSED AMENDED TRANSCRIPT- (MONTHLY RETURN OF
ACCOUNTS FROM MINISTRIES, DEPARTMENTS & AGENCIES-(MDAs)

RECEIPTS	N	N	PAYMENTS	N
Bal b/f		x		
Revenue	x		Personnel Costs-Budget	x
			Personnel Costs-External	
Expenditure Credit	<u>x</u>		Assist	x
		x	Overheads -Budget	x
<u>BTL</u>			Overheads -Ext. Assist	x
OAGF Funds	x		Capital- Budget	x
Cash Transfers	x		Capital- External Assist.	
Imprest	x		- Multilateral	x
Advances	x		- Bilateral	x
Deposits	x		- Internal	x
Deductions	<u>x</u>		- Grants	x
		x		
External Assistance				
Loans			BTL	
- Multilateral	x		Transfers etc	x
- Bilateral	x			
- Internal	<u>x</u>			
	<u>x</u>			
Grants				
- Multilateral	x			
- Bilateral	x			
- Internal	<u>x</u>			
	<u>x</u>			
		x		
		x		x
			Bal c/f	<u>x</u>
		x		<u>x</u>

Field Test Report Ghana

COMMENTS ON PROPOSED IPASB ED 32 EXTERNAL ASSISTANCE

The Controller and Accountant-General’s Department of the Republic of Ghana is grateful to the IPSASB for the opportunity to do field testing of the proposed ED32. We therefore provide comments based on our knowledge in field testing of ED32 and experience in preparation of Public Accounts.

Specific Matters for Comments

1. **Whether the designation of certain disclosures as required and other disclosures as encouraged is appropriate. If the proposed designation is not considered appropriate, please identify the amendments and/or reclassifications you consider appropriate.**
 - **COMMENT**
Disclosures as required and other disclosures as encouraged are appropriate. We have provided answers to specific questions below
2. **Whether the Cash Basis IPSAS ‘Financial Reporting Under the Cash Basis of Accounting’ should be amended to include the additional required and encouraged disclosure, or whether the required and encouraged disclosures should be issued as a separate ‘stand alone’ Cash Basis IPSAS.**
 - **COMMENT**
The amendment of the Cash Basis IPSAS to include the additional required and encouraged disclosures is appropriate. Issuing a separate “stand alone” Cash Basis IPSAS will be significant in terms of formality but in substance it will require the modification of the Consolidated Receipts and Payments Statements and addition to the notes to the accounts in order to include the required and encouraged disclosures.
3. **Whether the proposed definition of external assistance in paragraph 1.9.1 is sufficiently broad to encompass all official resources received.**
 - **COMMENT**
We agreed that the definitions are broad enough. Except to say that the definition of External Assistance does come out clearly it is embedded in the term “Official Resources”. If one does not know the definition or the context in which “Official resources” is used in the ED, the definition becomes unclear.
4. **Whether the separate disclosures of the amount of external assistance should be required on the face of the statement of cash receipts and payments as is currently required in paragraph 1.9.6 or whether the IPSAS should allow such disclosure to be made either on the face of the statement of cash receipts and payments or in the notes thereto.**
 - **COMMENTS**
The separate disclosure of the amount of external assistance as required by 1.9.6 is appropriate. It is not a significant departure from what pertains in the

Consolidated Receipts and Payments Statements in our respective countries. It is usual to see these amounts on the face of the statement except that the form or description may be different.

- 5. Whether other sources of assistance, such as assistance provided by non-governmental organizations (NGOs), should also be included in the definitions of external assistance. Currently, the proposed standard requires that entities disclose all official resources as defined in paragraph 1.9.1 would exclude certain assistance received from NGOs.**

- **COMMENT**

External Assistance can not be complete if some are left out. Except for materiality, it is proposed that assistance from non-governmental organizations (NGOs) should not be ignored. In the third world countries in Africa, assistance from NGOs in health care delivery and Basic Education is significance. Excluding certain assistance (except immaterial ones) from External Assistance in the Consolidated Receipts and Payments Statement and or the notes to the account affects the completeness and accuracy of reporting the true state of affairs

- 6. Whether the standard should encourage the disclosure of specific categories of external assistance or only the disclosure of external assistance by ‘significant classes’ without further specification. Paragraph 2.1.60 encourage the disclosure of external assistance by significant classes. Paragraph 2.1.61 includes a description of some such classes.**

- **COMMENT**

Encouraging disclosure of external assistance by significant classes as in 2.1.60 is appropriate.

- 7. The proposal to require disclosure of the balance of undrawn external assistance loans and grants (paragraph 1.9.16), and encourage disclosure of changes therein during the period (paragraph 2.1.65c).**

- **COMMENT**

The requirements to disclose balance of undrawn external assistance loans and grants as in 1.9.16 and the encouraged disclosure of changes therein during the period as in 2.1.65c are appropriate. Since the donors have the upper hand when it comes to the utilization or drawing down the assistance, the only risk the recipient is exposed to is the likelihood of losing on other assistances that would have come especially loans since the potential lender may take into consideration existing indebtedness and undrawn external loan. That notwithstanding it is better to show the true state of affairs by disclosing.

- 8. Whether the disclosure of the terms and conditions of external assistance agreements that determine or effects access to, or limit the use of external assistance, which is currently encouraged (paragraph 2.1.69), should be reclassified as a required disclosure.**

- **COMMENT**

Encouraging disclosure of the terms and conditions of external assistance agreements that determine or effects access to or limit the use of external

assistance as in 2.1.69 is appropriate. Classifying the terms and conditions as a required disclosure will create difficulty since some of the terms and conditions are to remain confidential among the contracting parties.

9. Whether it is appropriate to encourage disclosure of the value of external assistance received in the form of non-cash goods and services (paragraph 2.1.85) and, if an entity elects to make such disclosure, to require disclosure of the basis on which that value was determined (paragraph 1.9/18)

- **COMMENT**

Disclosing the value of external assistance received in the form of non-cash items is good and disclosing the basis on which the value was determined is also appropriate. Many donors will not add supporting documents authenticating the cost of goods and services. They will be encouraged to do so because reporting that the basis for instance, is a word of mouth from the donor or the recipient’s own evaluation (because supporting documents were provided) will be an indictment on the donor

10. Whether the transitional provisions in paragraph 1.9.26 and 1.9.27 are appropriate:

- (a) **Paragraph 1.9.26 provides for a transitional period of two years for disclosure of the balance of undrawn external assistance, and**
- (b) **Paragraph 1.9.27 provides an exemption from the requirement to disclose comparative figures during the first year of application of the requirement relating to external assistance.**

The IPSASB would welcome comments on whether other requirements of this standard should also be subject to transitional provisions.

- **COMMENT**

The transitional two years for disclosure is enough. There is not much to do if one has the source data or a system in place to reclassify the data on external assistance.

11. Whether there are additional disclosures that have not been dealt with and should be required or should be encouraged.

- **COMMENT**

The required and encouraged disclosures of external assistance are enough. These set only the minimum, countries are at liberty to add

CONSOLIDATED STATEMENT OF CASH RECEIPTS AND PAYMENT FOR THE YEAR ENDED 31 DECEMBER		2006		2005	
RECEIPTS ONLY		2006	2005	2006	2005
		Receipts	Receipts	Receipts	Receipts
RECEIPTS					
TAXATION					
INDIRECT TAX					
Excise Duty		60,967	659,992		
Petroleum Taxes		4,094,954	3,762,950		
Miscellaneous		144,518			
Total Indirect Tax		4,300,439	4,422,942		
DIRECT TAXES					
Personal Emolument		3,105,417	2,290,000		
Self Employed		339,846	930,000		
Companies		3,052,023	2,590,000		
Sale Enterprise					
Miscellaneous		375,006	490,000		
Total Direct Tax		6,872,292	6,300,000		
OTHER TAXES					
National Health Insurance Fund		1,107,226	1,284,732		
Reconstruction Levy & Airport		193,479	220,000		
		1,300,705	1,504,732		
TAXES ON INTERNATIONAL TRANS					
Import Duties		3,884,027	3,403,450		
Export Duties		193,479	602,560		
Total Tax on International Transaction		3,884,027	4,006,010		
INCOME TAX					
		15,056,758	11,652,942		
VALUE ADDED TAX					
		6,724,234	5,247,982		
Total Tax Revenue		21,760,992	19,976,934		
EXTERNAL ASSISTANCE					
Grants					
Bilateral	2.1	10,593,133	5,850,649		
Multilateral	2.2	4,122,646	2,986,776		
Loans		14,716,779	8,837,425		

Illustrative Financial Statements – Submitted as Part of Field Test Report - Ghana

Bilateral	3.1	2,108,793	2,364,902
Multilateral	3.2	7,100,329	7,195,600
HIPC Receipts		9,209,122	9,560,502
Bilateral	4.1	784,578	1,030,854
Multilateral	4.2	883,500	846,240
		1,678,078	1,877,094
Total External Assistance		25,602,979	20,275,021
Capital Receipts			
Divestiture Receipts			232,716
Trading Activities			
Interests and Profit		218,415	390,886
		218,415	390,886
OTHER RECEIPTS			
Exchange Gain		717,907	2,301,562
Fees and Charges		222,512	1,314,471
Other Non Tax Revenue		940,419	1,401,642
Total			5,017,675
Total Government Revenue		48,542,805	45,660,516
NOTES TO THE ACCOUNTS			
NOTE 1 SIGNIFICANT ACCOUNTING POLICIES			
1.1 Accounting Basis	The financial statements are prepared on a modified cash basis		
1.2 Grants	Loans are treated in compliance with International Public Sector Accounting Standard ED32. Total disbursements of grants are treated as matching revenue in the accounts and the undisbursed grants are treated as deferred income.		
1.3 Loans	Loans are treated in compliance with International Public Sector Accounting Standard ED32.		

Illustrative Financial Statements – Submitted as Part of Field Test Report - Ghana

NOTE 2		SUMMARY : GRANTS RECEIVED BY INDIVIDUAL CREDITORS (DOLLARS)			
2.1	BILATERAL		2005		2006
CAG			40,606,628.57		77,705,214.25
DKG			191,131,755.37		189,010,631.30
FRG			8,266,908.15		8,523,808.10
FRNG			2,733,107.80		3,331,792.94
GOFRG					3,456,383.94
GOSC					22,107,978.00
GPRC			6,114,258.56		6,325,704.00
GTZ			14,348,339.09		6,409,446.46
JAPG					8,726,504.41
KFED			682,810.26		689,244.20
NLDG			142,139,033.06		193,328,667.03
UKG			31,697,314.88		454,615,801.97
USAG			202,966,652.00		172,817,652.02
TOTAL	USD		640,686,807.74		1,147,048,828.62
	GHC		5,850,649,418,392		10,593,133,578,165
2.2	MULTILATERAL				
ADF			27,098,321.62		28,565,666.91
EEG			202,327,879.75		280,772,839.65
IDA			93,021,892.09		89,115,851.57
UNDP			4,624,690.52		4,598,756.52
UNFPA					26,100,000.00
WEF					17,256,483.00
TOTAL	USD		327,072,783.98		446,409,597.65
	GHC		2,986,776,331,660		4,122,646,203,449

Illustrative Financial Statements – Submitted as Part of Field Test Report - Ghana

NOTE 3 LOANS RECEIVED BY INDIVIDUAL CREDITORS (DOLLARS)					
3.1	Bilateral		2005	2006	
AUG				11,558,576.37	
BBG				17,496,704.00	
BELG			471,528.05		
BMH			26,677,545.74	66,477,468.66	
EXIM			15,000,000.00	13,942,789.33	
FRG			49,435,046.26	4,963,561.82	
FRNG			43,558,331.27	54,099,196.92	
GPRC			11,116,833.75	13,519,547.92	
ING			8,871,297.98	4,385,617.83	
ITG			2,099,948.71	1,759,729.11	
KBCB			1,211,209.30	232,164.46	
KFED			10,166,527.56	6,058,050.22	
RABO			10,258,043.40	9,381,115.70	
SARG			9,323,292.30		
SCB			32,560,350.97	24,469,516.12	
SPAG			38,223,283.74	228,345,038.46	
TOTAL	USD		258,973,239.03	2,108,793,831,583	
	GHC		2,364,902,183,104		
3.2	Multilateral		2005	2006	
ABED			47,032,726.57	39,387,930.23	
ADF			144,301,259.25	185,407,908.11	
ECWF					
EIB			550,466,316.60	494,380,807.07	
IDA			19,455,499.19	25,190,625.02	
IFAD			5,675,431.85	6,702,923.46	
NDF					
NTE				17,769,775.23	
OPEC			21,037,084.63	768,839,969.12	
TOTAL	USD		787,968,318.09	7,100,329,375,620	
	GHC		7,195,600,605,867		

Illustrative Financial Statements – Submitted as Part of Field Test Report - Ghana

NOTE 4					
SUMMARY REPORT OF THE HIPC MAIN REVENUE ACCOUNT					
4.1	LOAN CURRENCY	2006	LOAN CURRENCY	2005	
CREDITORS	CURR	TOTAL \$	TOTAL \$	TOTAL \$	
IFAD	USD	2,597,781.45	24,209,083,524.58	1,782,507.45	18,875,773,219.80
KFED	KWD	59,108.33	1,965,553,620.20		
MOF/IFAD	USD	1,629,073.09	15,000,000,000.00		
IDA	USD	56,493,774.06	528,534,890,468.16	56,005,339.58	496,476,014,407.93
NDF	XDR	1,107,167.20	12,922,869,406.78		
EIB	XEU	1,579,042.77	18,341,914,553.76	2,405,633.98	27,803,597,351.00
EU	XEU	40,545.10	478,487,668.64		
EDF/EIB	XEU	376,695.69	4,280,022,383.99		
GHAP/OHA	YEN			273,476,506.92	23,945,602,945.00
CROWN AGE	GBP	1,827,257.08	29,032,830,991.44		
AFD/GREL	XEU	15,555.15	180,704,714.31	42,339.21	1,934,024,600.00
AFD/BOPP	XEU	33,295.93	386,804,920.14	177,388.70	451,718,925.00
ADF	USD	5,878,296.02	53,907,563,554.41	6,962,336.85	62,838,026,516.49
ADB	USD	10,386,831.02	95,338,208,399.31	11,066,830.27	100,307,908,705.85
GT	USD			4,674,947.63	42,486,525,025.50
IMF	XDR			16,665,054.00	221,829,465,686.00
JBIC-PORT	YEN		396,887,070.60		33,906,062,441.36
Multilateral	GHC		784,578,934,205.72		1,030,854,719,823.93
4.2					
Bilateral	GHC		893,500,000,000.00		846,240,000,000.00
TOTAL			1,678,078,934,205.72		1,877,094,719,823.93

Illustrative Financial Statements – Submitted as Part of Field Test Report - Ghana

NOTE 5	ABBREVIATIONS AND CREDITOR NAME		
1. ABED	ARAB BANK FOR ECONOMIC DEVELOPMENT (BADEA)		
2. ADE	AFRICAN DEVELOPMENT FUND		
3. AUG	AUFINANZ GERMANY		
4. BBG	BARCLAYS BANK OF GHANA LIMITED		
5. BELG	GOVERNMENT OF BELGIUM		
6. BMH	FORTIS BANK N.V.		
7. CAG	GOVERNMENT OF CANADA		
8. DKG	GOVERNMENT OF DENMARK		
9. ECWF	ECOWAS FUND		
10. EEC	EUROPEAN ECONOMIC COMMUNITY		
11. EXIM	EXPORT-IMPORT BANK OF INDIA		
12. FRG	GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY		
13. FRNG	GOVERNMENT OF FRANCE		
14. GPRC	GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA		
15. GTZ	GERMAN TECHNICAL CO-OPERATION		
16. IDA	INTERNATIONAL DEVELOPMENT ASSOCIATION		
17. IFAD	INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT		
18. ING	ING BANK N.V.		
19. ITG	GOVERNMENT OF ITALY		
20. KBCB	KBC BANK N.V.		
21. KFED	KUWAITI FUND FOR ECONOMIC DEVELOPMENT		
22. NLDG	GOVERNMENT OF NETHERLANDS		
23. NTF	NIGERIA TRUST FUND		
24. OPEC	ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES		
25. RABO	RABO BANK		
26. SARG	GOVERNMENT OF SAUDI ARABIA		
27. SCB	STANDARD CHARTERED BANK UK		
28. SPAG	GOVERNMENT OF SPAIN		
29. UKG	GOVERNMENT OF THE UNITED KINGDOM		
30. UNDP	UNITED NATIONS DEVELOPMENT PROGRAMME		
31. USAG	GOVERNMENT OF THE UNITED STATES		
	UNITED STATES OF AMERICA		
NOTE 6	ABBREVIATIONS AND CURRENCY NAME		
1. BUA	BANK UNITS OF ACCOUNTS		
2. CAD	CANADIAN DOLLAR		
3. CNY	CHINESE YUAN RENMINBI		
4. DKK	DANISH KRONER		
5. EUR	EURO		
6. KWD	KUWAITI DINARS		
7. GBP	GREAT BRITAIN POUND STERLING		

Illustrative Financial Statements – Submitted as Part of Field Test Report - Ghana

8	SAR	SAUDI RIALS
9	SDR	SPECIAL DRAWING RIGHTS
10	USD	UNITED STATES DOLLAR
11	DEM	DEUTSCHE MARK

OVERVIEW OF AMENDMENTS TO ED 32 MINUTES AND OTHER MATTERS

EXTERNAL ASSISTANCE – EXTRACT FROM DRAFT MINUTES OF MONTREAL MEETING – JULY 2007

10. External Assistance

The IPSASB noted that significant efforts had been undertaken to identify partners to field test ED 32, “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance”.

Field tests had been completed in Ghana, Uganda and Nigeria. On preliminary review of field test reports, it appeared that the field testing had not identified major impediments to adoption of the proposed IPSAS requirements within the proposed transitional period. The IPSASB also noted field testing was still in progress in Kenya. In addition, members and staff continued to liaise with a number of potential field test partners.

The IPSASB discussed the strategy and process for completing the IPSAS and agreed that it could not wait beyond November 2007 for additional field test results. Accordingly, at its next meeting in November 2007, it would review a first draft IPSAS and all field test results with a view to approving the IPSAS. Members also agreed that whether or not a special report to provide guidance to recipients and donors in establishing appropriate models for reporting on compliance should be developed would be considered in the context of a general work program review later in the year.

Members reviewed the responses to ED 32 and the staff analysis and summary thereof, and reviewed all substantial matters raised by respondents in respect of the specific matters for comment. Members agreed that the draft IPSAS to be prepared for review at the next meeting would:

- Encourage, but not require, the disclosure of the identity of the individual providers of assistance and the amount provided and the currency in which it was provided; **DONE – SEE PARAGRAPHS 2.1.70, 2.1.71. (NOTE PARA 2.1.72 ALSO UPDATED)**
- Encourage, but not require, the disclosure of the uses of assistance by major class; **DONE – SEE PARAGRAPHS 2.1.66, 2.1.69.**
- Reflect that the disclosure requirements are to be incorporated in the Cash Basis IPSAS, rather than in a stand alone IPSAS; **DONE – DRAFT IPSAS HAS BEEN RESTRUCTURED.**
- Amend the wording of official resources to clarify that external assistance is provided by ex-domestic organizations and governments. It was also agreed that members from Japan and India would provide input to staff on issues that may arise in distinguishing official assistance from other assistance and that ultimately may be resolved by the application of professional judgment; **DONE – SEE PARAGRAPHS 1.10.4, 1.10.5 (DRAFT WORDING HAS BEEN CIRCULATED TO MEMBERS FROM INDIA AND JAPAN FOR REVIEW AND COMMENT.)**
- Require the disclosure of “third party payments” that satisfy the definition of external assistance on the face of the Statement of Cash Receipts and Payments or in the notes; **DONE - THIS WAS REFLECTED IN TEXT OF ED 32 REVIEWED AT LAST MEETING IN JULY 07, SO NO CHANGE.**

- Retain the existing focus on official assistance, but commentary should explain that assistance from non-government organizations (NGOs) would be recognized and disclosed in accordance with the general requirements of the Cash Basis IPSAS. Members also agreed that the draft IPSAS should encourage, but not require, application of the proposed requirements to assistance received from NGOs; **DONE – SEE PARAGRAPHS 1.10.3, 1.10.4, 2.1.64, 2.1.65 AND ADDITIONAL ILLUSTRATIVE DISCLOSURE IN APPENDIX 2.**
- Retain the encouragements relating to disclosure of the significant terms and conditions, and would not reclassify them as requirements; **DONE – THIS POSITION WAS REFLECTED IN TEXT OF ED 32 REVIEWED AT LAST MEETING IN JULY 07, SO NO CHANGE**
- Require that balances of undrawn assistance should be disclosed when, and only when, the amount is specified in a binding agreement and the satisfaction of conditions is anticipated – for example, in respect of undrawn balances of project funding where conditions have previously been satisfied and the project is anticipated to continue; **DONE – SEE PARAGRAPHS 1.10.18 to 1.10.20 AND CONSEQUENTIAL AMENDMENTS TO PARAGRAPHS 2.1.70, 2.1.71, 2.1.72. (NOTE DISCLOSURE OF FOREIGN CURRENCY AMOUNTS ARE ENCOURAGED RATHER THAN REQUIRED, BUT ARE STILL ILLUSTRATED AS IN ED 32)**
- Encourage, but not require, disclosure of terms and conditions which determine or affect access to, or use of, external assistance. In addition, the existing requirement to disclose terms and conditions which had been breached and which resulted in cancellation of the assistance should be extended to encompass circumstances in which the breach gave rise to an obligation to return funds; **DONE – SEE PARAGRAPHS 1.10.25, 1.10.26, 1.10.27. NO CHANGE TO ENCOURAGED DISCLOSURES IN ED 32 EXCEPT FOR CONSEQUENTIAL AMENDMENT TO PARA 2.1.84**
- Retain the encouragement to disclose the value of external assistance in the form of goods and services; and **DONE - THIS POSITION WAS REFLECTED IN TEXT OF ED 32 REVIEWED AT LAST MEETING IN JULY 07, SO NO CHANGE.**
- Retain the transitional provisions as currently specified. **DONE - THIS POSITION WAS REFLECTED IN TEXT OF ED 32 REVIEWED AT LAST MEETING IN JULY 07, SO NO CHANGE.**

Members also agreed that:

- The editorial and other matters identified by respondents should be dealt with as proposed by staff, and reviewed at the next meeting; **DONE – THIS DRAFT HAS BEEN AMENDED AS PROPOSED – SEE FOLLOWING PAGES FOR RECORD OF THESE AMENDMENTS**
- ED 32 amended as directed at this meeting should be translated into Spanish and made available to potential field test partners in Latin America. IPSAS members from Argentina and Mexico agreed to subject the translation to a technical review - **DONE**; and
- Materials prepared for review at the next meeting should include an analysis of all field test results received as at the end of October, and a report which summarizes the processes adopted to identify field test partners. – **DONE – ANALYSIS IN COVERING MEMORANDUM. AGENDA ITEM 13.1. IDENTIFIES FIELD TEST PARTNERS SOUGHT**

OVERVIEW OF AMENDMENTS TO ED 32

OTHER MATTERS IDENTIFIED BY RESPONDENTS (12)

Staff responses as considered by IPSASB at last meeting is in final column normal print. Actions since last meeting identified in capitals and bold.

Note - References to para 1.9.x in ED 32 should be read as references to para 1.10.x in the first draft IPSASB included at Agenda item 13.4 (and 13.5). Similarly paragraph numbers of part 2 of ED 32 have been updated. The equivalent para numbers are identified in parenthesis in first column and can be tracked in the marked-up draft at Agenda item 13.4.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
1.9.1 - NGO (1.10.1)	2. Uganda MoF	<i>“.... Some NGOs provide support to groups rather than government or individuals. Could add to the definition of NGO “or organizations whose activities complement those of the government to provide for the welfare of the people”.”</i>	Consider inclusion in commentary rather than amending definition. AMENDMENT MADE: Included reference to “other organizations” in definitions to encompass broad range of potential NGOs
1.9.1 Official Resources (1.10.1)	2. Uganda MoF	<i>“.... the last phrase, “at their own risk and responsibility” is not clear.... Could rephrase this to: “to be available for use to meet the entity’s objectives”. Please also note that some of the assistance goes directly to the target activities or individuals e.g. emergency relief supplied directly to an emergency area. It should also be noted that some of the assistance is not by official agreement, but this would obviously be difficult to account for, but where information is available, disclosure (discretionary) would be good.”</i>	At own risk and responsibility intended to indicate that agencies make decisions autonomously. Consider clarification as IPSAS is finalized. AMENDMENT MADE: Accept may not be clear. Delete last phrase. While not raised by other submissions, deletion of phrase does not undermine definition.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
1.9.1 – Definitions not necessary (1.10.1)	6. JICPA	<p>“.... <i>the following definitions are not necessary since these terms are not used in important context....</i></p> <ul style="list-style-type: none"> Assigned External Assistance Re-Lent External Assistance loans Non-Government Organizations (NGOs) <p><i>If the IPSASB elects to keep the definition of NGOs,... the definition be changed to “NGOs are government agencies, <u>private organizations</u> or to individuals.”</i></p>	<p>Agree definitions not used extensively, but of view that on balance should retain – may be significant in some jurisdictions currently and may become more so over time. NO AMENDMENT MADE.</p> <p>Re Definition of NGOs - Initial reaction is to amend definition to refer to “...<u>organizations</u> or to individuals” - revisit as finalize IPSAS.</p> <p>AMENDMENT MADE. Added “other organizations” to avoid gaps and debate about semi-government organizations, and private organizations.</p>
1.9.1 - Bilateral External Assistance (1.10.1)	13. ESAAG	<p>“insert the word “donor” in the last line so that it reads of that <u>donor</u> nation’s external assistance.”</p>	<p>Agree.</p> <p>NO AMENDMENT MADE. Staff initially made this amendment as proposed but on review was not convinced that it acted to clarify the definition. Accordingly removed it.</p>
1.9.1 – External Assistance, Multilateral and Bilateral External Assistance Agencies (1.10.1)	6. JICPA	<p>“...definition... is a tautology. Proposes amendments to definitions of multilateral and bilateral external assistance agencies.</p>	<p>Merit in proposals. Review definition in finalization of IPSAS. Consider in context of amendments that might be made to definition of “external assistance” to deal with the “domestic” issue.</p> <p>AMENDMENT MADE to “official resources” to clarify and break tautology.</p>
1.9.3 -1.9.4 (1.10.6 -1.10.7)	3. World Bank	<p>“:....<i>External assistance agreements can evolve in many different ways, according to country circumstances, the institutions involved etc. With this in mind, we would advise against this Standard’s attempting to describe what meetings may (or may not) take place between governments and donors prior to entering into an external assistance agreement”.</i></p>	<p>Agree. Will generalize paragraph for IPSASB review as draft IPSAS is developed.</p> <p>AMENDMENT MADE. IPSASB Staff also propose deletion of Appendix 6 and generalization of other illustrative and commentary paragraphs as move from ED to final IPSAS style.</p>

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
1.9.3 – 1.9.4 (1.10.6)	14. Dr L.P.P. Pahladsingh	<i>“...may be illustrative for a specific arrangement of external assistances, various arrangements between providers and recipients can be made.I therefore see limited added value in detailing this specific type of arrangements.”</i>	Agree – see above. See above. AMENDMENT MADE see above
1.9.5 (1.10.7)	6. JICPA	Recommend this paragraph: <i>“...clearly indicates the fact that in-kind goods or services are one of the major forms of external assistance....”</i>	Agree that commentary can highlight this. Consider location as IPSAS is finalized in light of other amendments. AMENDMENT MADE but at paras 2.1.91 and 2.1.92 rather than at this para but see. On review believe that point is made at paragraph 2.1.91. Additional commentary added at that paragraph to reinforce as per this proposal.
1.9.7, pages 14 and 15 (1.10.9)	1. IFAC – DNC	“...“formally advised” by another party is not sufficiently robust and the DNC would be happier to rely on the organisation’s own verification of the payment. This could be achieved by striking out the wording “been formally advised by the third party or the recipient that such payment has been made or has otherwise”. This would leave it to read “the entity has verified the payment”.	Staff support this amendment. However, wording reflects requirement/wording in the Cash basis IPSAS and has implications well beyond external assistance. Do not change just for external assistance but consider in review of Cash basis IPSAS. NO AMENDMENT MADE. . Issue for consideration in review of Cash Basis IPSAS?

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
1.9.7 and 1.9.10 (1.10.9 and 1.10.12)	3. World Bank	<i>“We recommend that the IPSASB reconsider the proposed requirement to disclose separately: (i) payments made by third parties that are part of the economic entity; and (ii) payments made by third parties that are not part of the economic entity. In our view this is an unnecessary level of detailed disclosure.... Moreover, it is debatable whether the circumstances would constitute external assistance, as defined in the Exposure Draft. Rather, these would appear to be widely-adopted treasury management practices in government, and not necessarily associated with the reporting entity’s receipt of external assistance.”</i>	These disclosures reflect a general requirement of the cash basis IPSAS. The concerns/issues here are more general than external assistance only and may validly impact a range of disclosures. Agree, driven by Treasury management practices, but appear necessary given those practices – consider for example, circumstances where cash is provided to Ministry for benefit of agency and agency is a reporting entity. AMENDMENT MADE (in part only) to paragraph 1.10.12 to clarify circumstances in which this may arise and additional note included to clarify that all third party payments are by external entities (since only the consolidated whole of Gov financial statements are illustrated). Amendments to para 1.10.12 also picks up comments at meeting that para 1.10.12 appeared not to deal specifically with external assistance. IPSASB to consider broader issue in review of Cash Basis IPSAS
1.9.10 (a) and (b) (1.10.12 (a), (b))	14. Dr L.P.P. Pahladsingh	<i>“....whether this concerns external assistance. Rather this constitutes widely used payment constructions, such as the single treasury account, between government departments.”</i>	Agree it flows from treasury arrangements but is driven by general requirement of the Cash Basis IPSAS and may not be able to be dismantled only for external assistance. AMENDMENT MADE see above

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
1.9.7, 1.9.8, 1.9.9 (1.10.9, 1.10.10, 1.10.11)	13. ESAAG	Re Paras 1.9.7, 1.9.8, 1.9.9 – Only total amount should be required on face with analysis into (i) third party payments part of Eco entity and not; (ii) significant class of provider and (iii) loans and grants required in the notes.	No change at this stage. The structure of the statement was considered by the IPSASB in finalizing the Cash Basis IPSAS. These are valid concerns and should be considered in the review of the Cash Basis IPSAS itself. Comments have broader impact on the Cash Basis IPSAS including the definition of cash and its relationship to third party payments and relationship to budget basis. NO AMENDMENT MADE Issue for consideration in review of Cash Basis IPSAS
1.9.11 (1.10.13)	13. ESAAG	Questions whether circumstances dealt with in 1.9.11 will arise if appropriate budget controls are in place – notes that donors will only effect direct payments to third parties at the direction of the recipient.	Noted. However, the experience in different jurisdictions appears to differ. Consider in process of finalizing IPSAS. NO AMENDMENT MADE.
1.9.13 (1.10.15)	14. Dr L.P.P. Pahladsingh	Disclose amount of assistance “made available” in original currency as well as reporting currency	Agree – should add as an encouragement. This will enable recipients to develop disclosures in consultation with donors, as appropriate. AMENDMENT MADE.
1.9.18 (1.10.21)	13. ESAAG	<i>“Where will the disclosure be made? ... What connection will this have to the statement? May be a separate schedule listing the donors, items/ services received....”</i>	Agree could usefully clarify/emphasize that disclosure is in notes. As Cash Basis IPSAS is updated with requirements and encouragement, this may become clearer – consider in process of finalization of IPSAS. AMENDMENT MADE. That disclosure is by way of note has been made clear/reinforced.
1.9.20 (1.10.23)	13. ESAAG	<i>“Again, a separate schedule be prescribed, listing the partners involved, the loans in question, the amounts rescheduled and the terms e.g. renegotiated, interest rates, grace period, repayment period, etc.”</i>	Disclosure illustration only. Would prefer to allow reporting entity to develop best/appropriate means to communicate with constituents rather than prescribing/imposing form. NO AMENDMENT MADE.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
1.9.22 (1.10.25)	6. JICPA	<i>“...expand the range of situations which trigger disclosure to ‘...when non compliance <u>results</u> in punitive action by the donor, such as cancellation of the assistance, <u>cessation of scheduled disbursement, or halting further provision of assistance.</u>”</i>	Agree that range of circumstances that trigger should be broadened to encompass punitive action by donor and cessation of current and future assistance – review specific wording as finalize IPSAS. AMENDMENT MADE to encompass non compliance which results in obligation to return funds as agreed at July 07 IPSASB meeting. Para 2.1.83 also encourages disclosure in other cases.
1.9.22 (1.10.25)	14. Dr L.P.P. Pahladsingh	Proposed required disclosure of grants or guarantees that have not been complied with when <i>“...may be too onerous (staff editorial amendment). I think further guidance is needed.”</i>	No change. Strong support for this provision. NO AMENDMENT MADE.
1.9.22 (1.10.25)	13. ESAAG	need to <i>“...examine in detail also those conditions not complied by Donors that may lead to recipients resisting the terms and therefore leading to cancellations.”</i>	Noted – but additional disclosure not proposed at this stage. IPSASB consider in finalization of IPSAS. NO AMENDMENT MADE.
2.1.61 and 2.1.63 (2.1.67, 2.1.70)	14. Dr L.P.P. Pahladsingh	Donors will require information on “how their allotted funds have been spent...Cross reference with funds received should be encouraged.”	Classes of use is currently encouraged - can clarify. Could note in explanatory paragraphs that uses cross-referenced by donor not prohibited - consider as finalize IPSAS. AMENDMENT MADE Paragraph 2.1.66 encourages disclosure of purpose of payments by class.
2.1.67, line 5 – 6 (2.1.74)	6. JICPA	<i>“We suggest the addition of “or expired” ... since a major reason for extinguishing undrawn external assistance is that the time limit for the disbursement of such assistance has expired.</i> <i>....the total amounts of loans and grants cancelled <u>or expired</u> during the period,</i> <i>We also suggest amending the table in page 35 on the same ground.”</i>	Agree. AMENDMENT MADE.– para amended and table updated

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
2.1.68 (2.1.75)	6. JICPA	<i>We believe that the proposal in paragraph 2.1.68 that requires an entity to apply the exchange rate of each applicable “transaction” is inappropriate..... More useful information would be presented if the exchange rates at fiscal year-end were to apply not only to the balance, but also to the changes during the period.....”.</i>	Point has merit. Take on board and consider in context of general guidance in IPSAS and, where balances are drawn down during the period, the reconciliation with amounts in the Statement. This issue will also be influenced by decision re SPC 7. AMENDMENT MADE. The encouragement is to disclose amounts in the currency in which the undrawn assistance is held or will be provided. Accordingly, the need to translate will only come into play when assistance is provided in a foreign currency and the entity <u>elects</u> to present changes in the amount of undrawn assistance during the period in the reporting currency.
2.1.68 (2.1.75)	14. Dr L.P.P. Pahladsingh	“Further, I believe that the proposal made in paragraph 2.1.68 regarding the conversion of each applicable ‘transaction’ by an entity is inappropriate, troublesome and not cost-effective.”	Point has merit – take on board- see above. AMENDMENT MADE– see above.
2.1.73. to 2.1.75. (2.1. 80-2.1.82)	6. JICPA	<i>“We have some difficulty understanding these paragraphs, so we propose clarification. We suggest that the description of the guarantee of repayment, currently in paragraph 2.1.73(a), is placed after paragraphs 2.1.80 – 2.1.84 that describe disclosure of terms and conditions ... and that description of the disclosure of a third party “guarantee” ... is placed after paragraphs 2.1.68 – 2.1.72 We also suggest replacing the word “guarantee” in the latter case with “commitment” or a similar word.”</i>	Consider as finalize IPSAS. This paragraph deals with guarantees of loans and grants. Staff’s initial reaction is to keep together, but to clarify to overcome confusion, rather than to split. AMENDMENT MADE. Paragraphs amended to align terminology and expression and additional explanation added – but encouragement re loans and grants not separated and relocated.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
2.1.85 (2.1.90)	13. ESAAG	<i>“IS THIS FOR ASSISTANCE INCLUDED IN THE ANNUAL BUDGET? If so, then the values for the goods and/or services to be paid for directly by the donor are known to the recipient....If they are NOT INCLUDED IN THE BUDGET they should not be associated to./with the annual financial statements”</i>	This assistance is unlikely to be included in budgets given expectation is that budget is on cash basis. NO AMENDMENT MADE.
2.1.85 (2.1.90)	13. ESAAG	<i>“A Standard such as this should go into and encourage Comprehensive Budgeting, PROVIDING ROOM FOR SUPPLEMENTARY BUDGETING, thus enabling inclusion of “after budget events” in the budget, accounting and reporting.”</i>	No change. The IPSASB has not decided to deal with budget formulation. What encompassed within scope of financial reporting will be considered in Framework project. NO AMENDMENT MADE.
Appendix 1 page 22	6. JICPA	<i>“We suggest the following amendment since “Other Grants and Aid” cannot be part of External Assistance by definition.”</i>	Agree. AMENDMENT MADE. “Other Grants” bolded to signify new category.
Appendix 1, Statement Receipts Payments, page 23	13. ESAAG	<i>“Since the Payments by third parties will be treated as a cash receipt to be grossed up with the cash receipts, there should be a third column for Total Receipts to make the statement meaningful and comprehensive.”</i>	No change – in finalizing Cash Basis IPSAS the Board decided not to sum (because third party settlements do not satisfy definition of cash). NO AMENDMENT MADE.
Appendix 1 Statement Receipts Payments, page 23	13. ESAAG	<i>“Governments do not trade. If this refers to receipts from government parastatals and other government business entities, etc. which are funded by the governments, then they should be referred to as Dividend Receipts”</i>	No change. The illustration is for a consolidated financial statement for the government which could/will encompass GBEs. This flows from Cash Basis IPSAS and will be clearer when included in external assistance in the IPSAS. NO AMENDMENT MADE.
Appendix 1 Statement Receipts Payments, page 23	13. ESAAG	Some subtotals should be included	Agree – will review the statement. AMENDMENT MADE – statement amended with “grants and other aid” as a separate class.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
Appendix 1 Illustrative statement page 23	14. Dr L.P.P. Pahladsingh	<i>“...not clear on the distinction between assistance and grants and other borrowings.”</i>	Agree – need to bold “other Grants” to clarify. AMENDMENT MADE.
Appendix 1 page 24	6. JICPA	<i>“the last three lines “External assistance loans of X.... We suggest deleting this sentence since such disclosure is not required in the ED.”</i>	Agree not required. But feel useful if cancellation did occur – to ensure that no gap. IPSASB to revisit as finalize IPSAS. AMENDMENT MADE to refocus on non-compliance with terms and conditions of grants.
Appendix 1 Note 3, page 24	13. ESAAG	<i>“...it would be better for this statement to start with Balances B/F; NEW COMMITMENTS; DRAWINGS DURING THE YEAR; BALANCES C/F. This will give light on the build up of the current balance.”</i>	No change. Intent was only to illustrate balance of undrawn assistance at reporting date. Proposal seems useful disclosure, but goes further than intended/required. NO AMENDMENT MADE.
Appendix 1 Illustrative Note 3, page 24	14. Dr L.P.P. Pahladsingh	<i>“....proposed information....can not be reconciled with page 23 Alsoinclude the foreign currency of the provider.”</i>	Staff are of view can be reconciled. Foreign currency of provider not required so not currently illustrated. Staff agree case for its disclosure particularly given is done so for note 3. Revisit in light of IPSASB decision on currency disclosure. NO AMENDMENT MADE. At July 07 meeting IPSASB did not agree that assistance by provider and currency should be required. .
Appendix 1 Example disclosure note 3, page 25	1. IFAC – DNC	<i>“...The DNC finds the current examples not entirely clear and feel that they could be improved by a statement that they are “Reported in local currency but provided in foreign currency” or similar wording.”</i>	Agree. Can usefully be clarified. In addition, Board to consider whether currency of grant or loan should also be disclosed – encourage as required. AMENDMENT MADE - to reflect that amounts presented in reporting currency.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
Appendix 1 page 25	6. JICPA	<i>“We suggest deleting the example of disclosure of undrawn external assistance by currency since such disclosure is not required in the ED.”</i>	Consider in light of other decisions. Agree not required, and that disclosure by currency of provider not included in other disclosures. However, a number of respondents advocated that such disclosures be made. Revisit in context of Board decision. NO AMENDMENT MADE given IPSASB decision re provision of assistance at its July 07 meeting - will revisit at November 07 meeting.
Appendix 1 and 2 Examples page 25 and 36	1. IFAC – DNC	Examples illustrating 1.9.16 and 2.1.65 (pages 25 and 36) open to misinterpretation/not clear.	Agree need to revisit (see comment JICPA above). AMENDMENTS MADE.
Appendix 2 page 34	6. JICPA	<i>“We suggest changing “Loan funds” in the table below to “Borrowed funds”.”</i>	Agree need to review consistency of usage of terms. AMENDMENT MADE - Amended first term to loan funds, which ensures consistency within table. Use of loan funds is more consistent with terminology throughout appendix. The term borrowings and loans are both used throughout the Cash Basis IPSAS itself – so different terms are used. Staff of view is that this does not cause confusion, but agrees should be aligned with any decisions made re consistency of terminology in full Cash Basis IPSAS review.
Appendix 2 Illustrative statements/notes, page 34	14. Dr L.P.P. Pahladsingh	Check <i>“....consistent use of terms like borrowings, grants, borrowed funds, loan funds and loans.....difference between Aid and Grants and borrowed funds and loan funds, and trade assistance and trade finance, development assistance and emergency assistance should be made more clear.”</i>	Agree – will review in finalization of IPSAS. AMENDMENT MADE re consistency of terminology only – see above comment. At July 07 meeting IPSAS agreed should not define other terms given feedback from ED 24, rather reporting entities would determine categories re their own jurisdiction/experience.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
Appendix 2 page 34 statements/notes,	14. Dr L.P.P. Pahladsingh	Revise structure to align “.with the proposed line items on the Statements of Cash Receipts and Payments”	Consider as finalize IPSAS and in light of other revisions. NO AMENDMENTS MADE - structure appears OK in update to Cash Basis IPSAS.
Appendix 2 - page 41- last paragraph	6. JICPA	<i>“We suggest the addition of “and services”.”</i>	Agree add to first line of last paragraph on page 41. AMENDMENT MADE.
Additional Explanation – emergency assistance	4. ACCA	<i>“The proposed standard should note the particular challenges of accounting for emergency assistance, especially when this is made in-kind or to third parties.”</i>	Consider in process of finalizing IPSAS add item to paragraph 2.1.63 comments on this. Also explore if need similar observations on other forms of assistance – eg challenges re military also raised as an issue. AMENDMENT MADE to reflect difficulty in determining fair value and significance of such assistance for some economies.
Additional Explanation - events after the fiscal year-end	6. JICPA	<i>“We hope that the IPSASB will consider whether events occurring after the fiscal year-end but before the preparation of financial statements need to be disclosed when such events significantly affect the availability of external assistance.”</i>	The Board did consider this matter in finalizing Cash Basis IPSAS. This has broader implications than just for external assistance. Consider in general review of Cash Basis IPSAS. NO AMENDMENT MADE – consider in general review of cash basis IPSAS?
Basis for Conclusion, paragraph BC1	6. JICPA	Re: observation that donors may require recipients to follow particular accounting practices acceptable to them (donors): <i>“The statement may be true, but it is irrelevant as the basis for conclusion since the ED stipulates the disclosure of funds received or receivable but does not stipulate the disclosure of the use of the funds.”</i>	Important to retain the broad sense of this para as it has underpinned rationale for this IPSAS. However, agree “for use of the funds provided” may be deleted from first sentence. AMENDMENT MADE – While basis for conclusion not included in Cash basis of IPSAS at this time, it may be in the future. Accordingly amendments made to reflect that donors may require recipients to follow particular practices “in accounting for funds provided” and provided to staff for inclusion at future date, subject to Board decision.
Basis for Conclusion, paragraph BC5	16. SAICA	<i>“...suggest that the wording be amended to reflect the fact that the Board has issued IPSAS 23.”</i>	Agree. ED 32 issued before IPSAS 23 and needs to be updated. AMENDMENT MADE.

PARA/PAGE	NAME	RESPONDENT COMMENT	STAFF RESPONSE – Action noted
General comment	12. NORAD	Concern that text is too long/wordy.	Consider in finalizing IPSAS – reduce if possible. AMENDMENT MADE. However, some (albeit much briefer) additions to text made in response to suggestions of other respondents.

Amendments to the Cash basis IPSAS

The following identifies proposed amendments to the Cash Basis IPSAS to incorporate the requirements and encouragements flowing from ED 32. They need to be read in conjunction with the Cash basis IPSAS itself.

The following pages are marked up to identify amendments to the text of ED 32 proposed for inclusion in the Cash Basis IPSAS as a new Section 1.10, and proposed amendments to existing paragraphs of the Cash Basis IPSAS to acknowledge the addition of the section on external assistance.

(As noted in the covering memorandum, the introductory material to ED 32 and appendix 6 have been deleted without mark up.)

The amendments to the Cash Basis IPSAS are identified as follows:

- 1 Additions to the contents page of the Cash Basis IPSAS.*
- 2 Amendments to current paragraph 1.3.18 of the Cash Basis IPSAS to acknowledge the additional of section 1.10.*
- 3 The addition of section 1.10 "Recipients of External Assistance" to Part 1 of the Cash Basis IPSAS.*
- 4 Amendments to Appendix 1 to reflect the requirements of the new Section 1.10.*
- 5 Amendments to current paragraph 2.1.25 and 2.1.30 to note the addition of encouraged disclosures about external assistance.*
- 6 Addition of paragraphs 2.1.64- 2.1.93 to Part 2 of the Cash Basis IPSAS.*
- 7 Amendments to Appendix 2.*

1. Additions to contents page of the Cash Basis IPSAS

**FINANCIAL REPORTING UNDER THE CASH BASIS OF
ACCOUNTING – DISCLOSURE REQUIREMENTS FOR
RECIPIENTS OF EXTERNAL ASSISTANCE**

CONTENTS

Paragraph

Part 1: Requirements (*insert following section 9*)

1.10 Recipients of External Assistance	1.10.1–1.10.34
Definitions.....	1.10.1–1.10.2
External Assistance	1.10.3–1.10.4
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External Assistance Received	1.10.8–1.10.17
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Disclosure of Non Compliance with Significant Terms and Conditions	1.10.25–1.10.27
Effective Date of Section 1.10 and Transitional Provisions.....	1.10.28–1.10.34

APPENDIX 1: Illustration of the Requirements of Part 1 of the Standard

Part 2: Encouraged Additional Disclosures

(Insert following “*Selection and use of the general price index 2.1.6 -2.1.63*”)

Assistance Received from Non-Governmental Organizations (NGOs)	2.1.64–2.1.65
Recipients of External Assistance	2.1.66–2.1.93

APPENDIX 2: Illustration of Certain Disclosures Encouraged in Part 2 of the Standard

2. Amendments to paragraph 1.3.18 of the cash basis IPSAS to acknowledge the additional section 1.10

Line items, headings and sub-totals

- 1.3.18 Factors to be taken into consideration in determining which line items, headings and sub-totals should be presented within each sub-classification in accordance with the requirements of paragraph 1.3.14 above include: the requirements of other sections of this Standard (for example, paragraph 1.10.8 requires that total external assistance received in cash during the period be disclosed separately on the face of the Statement of Cash Receipts and Payments); assessments of the likely materiality of the disclosures to users; and the extent to which necessary explanations and disclosures are made in the notes to the financial statements. Paragraphs 2.1.23 to 2.1.30 of Part 2 of this Standard set out disclosures of additional major classes of cash flows that an entity is encouraged to make in the notes to the financial statements or in the financial statements themselves. It is likely that in many, but not necessarily all, cases these disclosures will satisfy the requirements of paragraph 1.3.12 above.

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE**3. Additional Section 1.10 “Recipients of External Assistance” of Part 1 of the Cash Basis IPSAS****1.10 Recipients of External Assistance****Definitions**

1.10.14.9.1 The following terms are used in this Standard with the meaning specified:

Assigned External Assistance means any external assistance, including external assistance grants, technical assistance, guarantees or other assistance, received by an entity that is assigned by the recipient to another entity.

Bilateral External Assistance Agencies are agencies established under national law, regulation or other authority of a nation for the purpose of, or including the purpose of, providing some or all of that nation's external assistance.

External Assistance means all official resources which the recipient can use or otherwise benefit from in pursuit of its objectives.

Multilateral External Assistance Agencies are all agencies established under international agreement or treaty for the purpose of, or including the purpose of, providing external assistance.

Non-Governmental Organizations (NGOs) are all foreign or national agencies established independent of control by any government for the purpose of providing assistance to government(s), government agencies, **other organizations** or to individuals.

Official Resources means all loans, grants, technical assistance, guarantees or other assistance provided or committed under a binding agreement by multilateral **or bilateral** external assistance agencies or by **a governments, or agencies of a government, other than to a recipient of the same nation as the government or**

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE

~~government agency providing, or committing to provide, the assistance, including bilateral external assistance agencies, at their own risk and responsibility.~~

Re-Lent External Assistance Loans means external assistance loans received by an entity that are lent by the recipient to another entity ~~or to a government business enterprise.~~

~~1.10.24.9.2~~ Different organizations may use different terminology for external assistance or classes of external assistance. For example, some organizations may use the term external aid, or aid, rather than external assistance. In these cases, the different terminology is unlikely to cause confusion. However, in other cases, the terminology may be substantially different. In these cases, preparers, auditors and users of general purpose financial statements will need to consider the substance of the definitions rather than just the terminology in determining whether the requirements of this Standard apply.

External Assistance

1.10.3 External assistance is defined in paragraph 1.10.1 as all official resources which the recipient can use or otherwise benefit from in pursuit of its objectives. Official resources as defined in paragraph 1.10.1 does not encompass assistance provided by non-governmental organizations (NGOs), even if such assistance is provided under a binding agreement. Assistance received from NGOs, whether in the form of cash donations or third party settlements, will be presented in the financial statements and disclosed in explanatory notes in accordance with the requirements of Sections 1.1 to 1.9 of Part 1 of this Standard. Paragraph 2.1.64 encourages, but does not require, application of the disclosures required by paragraphs 1.10.1 to 1.10.34 to assistance received from NGO's where practicable.

1.10.4 NGOs as defined in paragraph 1.10.1 are foreign or national agencies established independent of control by any government. In some rare cases, it may not be clear whether the donor organization is a bilateral external assistance agency or an NGO, and therefore independent of control by any government. Where such a donor organization provides, or commits to provide, assistance under the terms of a binding agreement, the distinction between official resources as defined in this

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE

Standard and resources provided by an NGO may become blurred. In these cases, professional judgment will need to be exercised to determine whether the assistance received satisfies the definition of external assistance and, therefore, is subject to the disclosure requirements specified in this section.

Official Resources

1.10.5 Official resources are defined in paragraph 1.10.1 to be resources committed under a binding agreement by multilateral or bilateral external assistance agencies or governments or government agencies, other than to a recipient of the same nation as the provider of the assistance. Governments as referred to in the definition of official resources may include national, state, provincial or local governments in any nation. Therefore, assistance provided by, for example, a national government or state government agency of one nation to a state or local government of another nation is external assistance as defined in this Standard. However, assistance provided by a national or state government to another level of government within the same nation does not satisfy the definition of official resources.

External Assistance Agreements

~~1.9.31.10.6~~ Governments seeking particular forms of external assistance may participate in formal meetings or rounds of meetings with donor organizations. ~~annual~~ For example, governments seeking meetings with ing development assistance from multilateral and bilateral external assistance agencies usually participate in an annual meeting to discuss These may include meetings to discuss the government's macroeconomic plans and its development assistance needs, or bilateral discussions at governmental level regarding trade finance, military assistance, balance of payments and other forms of assistance. They may also include . Similarly, separate meetings may be held to discuss emergency assistance needs. Some emergency situations are prolonged in nature, such as the effects of drought associated with desertification, and the need for emergency assistance may continue for a number of years. In such cases, the annual development assistance separate

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meetings ~~may be expanded~~ to consider include the country's emergency assistance needs; as those needs arise. ~~Such meetings usually conclude with an announcement of the total assistance pledged by the agencies, together with a breakdown of the amount of assistance pledged by each agency. Statements of intent or pledges made at these meetings are not binding on either the government or the external assistance agencies. Separate meetings between the government and individual external assistance agencies may result in specific written agreements covering development or emergency assistance loans or grants that will be available provided any restrictions on access to the funds are met, and agreed conditions or covenants are adhered to by the entity.~~

~~1.9.4~~ External assistance may also include trade finance, military assistance, balance of payments and other forms of assistance. Trade finance and military assistance normally result from direct bilateral discussions and balance of payments assistance from a country inviting external assistance agencies to participate in a program to address the country's balance of payment concerns. Initial discussions may ~~also~~ result in statements of intent or pledges which are not binding on the government ~~—~~ or the external assistance agency. However, subsequently written binding agreements may be set in place to make available result in assistance loans or grants ~~that will be available~~ provided restrictions on access to the funds, if any, are met and agreed conditions or covenants are adhered to by the entity.

~~1.10.7~~1.9.5 External assistance agreements ~~usually may~~ provide for the entity to ~~either~~:

- (a) Draw down in cash the full proceeds of the loan or grant or a tranche of the loan or grant;
- (b) Seek reimbursement(s) for qualifying payments made by the entity to a third party settling in cash an obligation(s) of the entity, as defined by the loan or grant agreement; or
- (c) Request the external assistance agency to make payments directly to a third party settling in cash an obligation(s) of the recipient entity; ~~as defined by the loan or grant agreement, including: Payments by a provider of external assistance to a third party may include payments to an NGO settling in cash~~ an obligation of the

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recipient entity for goods or services provided or to be provided by ~~the~~an NGO.

External assistance agreements may also include the provision of goods or services in-kind to the recipient.

External Assistance Received

1.10.81.9.6 The entity ~~shall~~should disclose separately on the face of the Statement of Cash Receipts and Payments, total external assistance received in cash during the period.

1.10.91.9.7 The entity ~~shall~~should disclose separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements, total external assistance paid by third parties during the period to directly settle obligations of the entity or purchase goods and services on behalf of the entity, showing separately:

- (a) Total payments made by third parties which are part of the economic entity to which the reporting entity belongs; and
- (b) Total payments made by third parties which are not part of the economic entity to which the reporting entity belongs.

These disclosures ~~shall~~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.

1.10.101.9.8 Where external assistance is received from more than one provider, the significant classes of providers of assistance ~~shall~~should be disclosed separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.

1.10.111.9.9 Where external assistance is received in the form of loans and grants, the total amount received during the period as loans and the total amount received as grants ~~should~~shall be shown separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.

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1.10.12 ~~1.9.10~~ External assistance may be provided directly to the reporting entity in the form of cash. Alternatively, a third party may provide external assistance by settling an obligation of the reporting entity or purchasing goods and services for the benefit of the reporting entity. In some cases:

- (a) ~~The~~ The third party may be part of the economic entity to which the reporting entity belongs – this will occur where, for example, external assistance in the form of cash is provided for the benefit of a program run by a particular department in a jurisdiction where ~~A~~ a government manages the expenditure of its individual departments and other entities through a centralized treasury function or a “single account” arrangement. ~~In these cases, and~~ the treasury or other central agency receives the external assistance and makes payments of amounts provided by way of external assistance on behalf of ~~those departments and entities~~, after appropriate authorization and documentation from the department; or

~~In those jurisdictions where government departments or other entities are established with their own bank accounts, control certain cash inflows and outflows and cash balances and, in accordance with government directions or instructions, are required to settle certain obligations of another department or entity, or to purchase certain goods or services on behalf of another department or entity.~~

- (b) ~~In other cases, The~~ The third party may not be part of the economic entity to which the reporting entity belongs - this will occur where, for example: ~~(a) A~~ a an aid agency makes a debt repayment to a regional development bank on behalf of a government agency, ~~or~~ or pays a construction company directly for building a road for a particular government agency rather than providing the funds directly to the government agency itself; ~~or (b) A national government~~ funds the operation of a health or education program of an independent provincial or municipal government by directly paying service providers and acquiring on behalf of the ~~other~~ government the necessary supplies during the period.

1.10.13 ~~1.9.11~~ Disclosure of the amount of external assistance received in the form of cash and in the form of third party payments made on behalf of

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the entity will indicate the extent to which the operations of the reporting entity are funded from taxes and/or internal sources, or are dependent upon external assistance. ~~In some cases, as at reporting date an entity may not be aware that payments have been made on its 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.~~ Consistent with the requirements of paragraph 1.3.24 of ~~this Cash Basis IPSAS Standard~~, external assistance paid by third parties should only be ~~disclosed~~included and disclosed in the financial statement of Cash Receipts and Payments when ~~during the reporting period the~~ entity has been formally advised that such payments have been made during the reporting period or otherwise verifies their occurrence. Disclosure of the significant classes of external assistance received is also encouraged, but not required (see paragraph 2.1.660).

- 1.10.14 ~~1.9.12~~ Disclosure of the significant classes of providers of assistance, such as multilateral donors, bilateral donors, international assistance organizations or national assistance organizations will identify the extent of the entity's dependence on particular classes of providers and will be relevant to ~~any~~ assessment of the sustainability of the assistance. This Standard does not require the disclosure of the identity of each provider of assistance or the amount of assistance each provides. However, such disclosure is encouraged (see paragraph 2.1.693).
- 1.10.15 ~~1.9.13~~ External assistance is often denominated in a currency other than the reporting currency of the entity. Cash receipts, or payments made by third parties on behalf of the entity arising from transactions in a foreign currency, will be recorded or reported in the entity's reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the receipts or payments in accordance with paragraph 1.7.2 of ~~this Standard—Cash Basis IPSAS~~. Disclosure of the amount provided by each provider in the currency provided is also encouraged (see paragraph 2.1.70).

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- 1.10.16 ~~1.9.14~~ National governments usually retain the exclusive right to enter into external assistance agreements with multilateral or bilateral external assistance agencies. In many of these cases, the project or activity is implemented by another entity. The national government may re-lend or assign the funds received to the other entity. The terms and conditions of the re-lent or assigned funds may be the same as received from the external assistance agency or may be harder or softer than initially received. In some cases, a small fee or interest spread is charged to cover the national government's administrative costs. An entity which enters into an external assistance agreement and passes the benefits as well as the terms and conditions of the agreement through to another entity by way of a subsidiary agreement will recognize or report the external assistance as it is received, and record payments to the second entity in accordance with its normal classification of payments adopted in the financial statements.
- 1.10.17 ~~1.9.15~~ Where the initial recipient of a loan or grant passes the proceeds and the terms and conditions of the loan or grant through to another entity, the initial entity may simply be administering the loan or grant on behalf of the end user. Netting of transactions where the terms and conditions are substantially the same may be appropriate in the financial statements of the administrator, in accordance with the provisions of paragraph 1.3.13 of ~~this Cash Basis IPSAS Standard~~.

Undrawn External Assistance

- 1.10.18 ~~1.9.16~~ The entity ~~shall~~should disclose ~~separately~~ in the notes to the financial statements the balance of undrawn external assistance loans and grants available at reporting date to fund future operations when, and only when, the amount of the loans or grants available to the recipient is specified in a binding agreement and the satisfaction of any substantial terms and conditions that determine, or affect access to, that amount is highly likely, showing separately in the reporting currency:
- (a) Total external assistance loans; and
 - (b) Total external assistance grants.

Significant terms and conditions that determine, or affect access to, that amount of the undrawn assistance should also be disclosed.

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- 1.10.19 ~~1.9.17~~ The amount of external assistance currently committed under a ~~binding~~~~written~~ agreement(s) but not yet drawn may be significant. In some cases, the amount of the assistance loan(s) or grant(s) is specified in a binding agreement and the satisfaction of any substantial conditions that need to be satisfied to access that amount is highly likely. This may occur in respect of undrawn balances of project funding for projects currently under development where conditions have been, and continue to be, satisfied and the project is anticipated to continue under the terms of the agreement.~~Disclosure of the amount of the undrawn balances will indicate the extent to which the entity may avail itself of external assistance loans and grants to sustain its operations in the future. This may represent a source of confidence for the readers of the entity's financial statements that funds will be available to support its future operations.~~ Where ~~such such~~ undrawn balances are provided in a foreign currency~~denominated in a foreign currency~~, opening and closing balances will be determined by applying to the foreign currency amount the exchange rate on the ~~reportingspective~~ dates in accordance with the provisions of paragraph 1.7.2-3 of ~~thise~~ Cash Basis IPSAS Standard.
- 1.10.20 In some cases, a donor entity may express an intention to provide ongoing assistance to the reporting entity, but not specify in a binding agreement the amount of the assistance loan(s) or grant(s) to be provided in future periods – for example, this may occur where the amount of assistance to be provided is dependent on the annual budget of the donor nation or other sources of funding that may be secured by the recipient. In other cases, the amount of assistance may be specified but be subject to terms and conditions, the satisfaction of which cannot be assessed as being highly likely at the reporting date – for example, this may occur in respect of balance of payment assistance to be provided on achievement of specified performance criteria, or emergency assistance to be provided subject to the amount of assistance provided by other agencies. In these cases, disclosure of the undrawn amounts is not made. In some cases, professional judgment may need to be exercised in assessing whether the satisfaction of the substantial terms and conditions that determine, or effect access to, the external assistance is highly likely.

Receipt of Goods or Services ~~In-kind~~

- 1.10.21 ~~1.9.18~~—Where an entity elects to disclose the value of external assistance received in the form of goods or services, it ~~shall~~should also disclose in the notes to the financial statements the basis on which that value is determined.
- 1.10.22 ~~1.9.19~~—Paragraph 2.1.~~85–90~~ of this Standard encourages an entity to disclose separately in the notes to the financial statements, the value of external assistance received in the form of goods or services. Paragraph 1.3.38 of this Standard explains that where encouraged disclosures are included in notes to the financial statements, they will need to be understandable and to satisfy the other qualitative characteristics of financial information. Where an entity elects to make such disclosures, it is required to disclose in the notes to the financial statements the basis on which that value is determined. Such disclosure will enable users to assess whether, for example, the value is determined by reference to donor valuation, fair value determined by reference to prices in the world or domestic markets, by management assessment or on another basis.

Disclosure of Debt Rescheduled or Cancelled

- 1.10.23 ~~1.9.20~~—An entity ~~shall~~should disclose in the notes to the financial statements the amount of external assistance debt rescheduled or cancelled during the period, together with any related terms and conditions.
- 1.10.24 ~~1.9.21~~—An entity experiencing difficulty in servicing its external assistance debt may seek renegotiation of the terms and conditions of the debt or cancellation of the debt. Disclosure of the amount of external assistance debt rescheduled or cancelled, together with any related terms and conditions, will alert users of the financial statements that such renegotiation or cancellation has occurred. This will provide useful input to assessments of financial condition of the entity and changes therein.

Disclosure of Non Compliance with Significant Terms and Conditions

- 1.10.25 ~~1.9.22~~—An entity ~~shall~~should disclose in notes to the financial statements, significant terms and conditions ~~of associated with~~

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external assistance loans or, grant agreements or guarantees that have not been complied with during the period, when non compliance resulted in cancellation of the assistance or has given rise to an obligation to return assistance previously provided. The amount of external assistance cancelled or to be returned should also be disclosed.

- 1.10.26 ~~1.9.23~~ External assistance agreements will usually include terms and conditions that must be complied with for ongoing access to assistance funds, as well as some procedural terms and conditions. ~~Consequences of non compliance stated in the agreement may include cessation of rights to draw funds under the affected agreement until the default is corrected.~~
- 1.10.27 ~~1.9.24~~ Identifying significant terms and conditions which have not been complied with and which have resulted in cancellation of the assistance will enhance the financial accountability and the transparency of the financial statements. ~~It~~ The disclosures required by paragraph 1.10.25 will enable readers to identify the instances of non compliance that have adversely affected the funds that are available to support the entity's future operations. ~~It, and~~ will also provide input to assessments of whether re-establishment of compliance with the agreement may occur in the future. Disclosure of non compliance with significant terms and conditions in other cases is also encouraged, but not required (see paragraph 2.1.~~76~~82).

Effective Date of Section 1.10 and Transitional Provisions

~~1.10.28~~ ~~1.9.25~~ Paragraphs ~~1.9.10.1~~ to ~~1.9.10.24~~34 of this International Public Sector Accounting Standard become effective for annual financial statements covering periods beginning on or after 1 January 200X (2009 is proposed if the IPSAS is issued in December 2007).

~~1.10.29~~ ~~1.9.26~~ — ~~Entities are not required to disclose separately in the notes to the financial statements the balance of undrawn external assistance for a period of two years from the date of first adoption of this Standard.~~

~~1.9.27~~ Entities are not required to disclose comparative figures for amounts disclosed in accordance with paragraphs ~~1.9.10.1~~ to ~~1.9.10.274~~ in the first year of application of paragraphs ~~1.9.10.1~~ to ~~1.9.10.274~~ of this Standard.

1.10.30 ~~Entities are not required to disclose separately in the notes to the financial statements the balance of undrawn external assistance as specified in paragraph 1.10.18 for a period of two years from the date of first application of this Standard.~~

1.10.31 ~~1.9.28~~—When an entity applies the transitional provisions in paragraph ~~1.9.10.296~~ and ~~1.9.10.3027~~, it ~~shall~~should disclose that it has done so.

1.10.32 ~~1.9.29~~ In the first year of adoption application of the requirements ~~in~~ of paragraphs ~~1.10.1~~ to ~~1.10.27~~ of this Standard ~~relating to the disclosures about external assistance~~, an entity may not have readily available, or reasonable access to, the information necessary to enable it to satisfy the requirement to disclose comparative information. It may also not have the information necessary to enable it to disclose the closing balance of undrawn external assistance as required by paragraph ~~1.9.10.4630~~. ~~Paragraph 1.9.26 provides relief from the requirements of paragraph 1.9.16 for a period of two years from initial application of this Standard.~~

1.10.33 ~~1.9.30~~ Paragraph 1.4.16 of this Cash Basis IPSAS Standard provides relief from the requirement to disclose comparative information for the previous period on initial application of the Standard. Some entities may have adopted the Cash Basis IPSAS prior to its amendment to include the requirements relating to disclosure of information by recipients of external assistance as specified in paragraphs ~~1.9.10.1~~ to ~~1.9.10.274~~. Paragraph ~~1.9.10.27—29~~ provides relief from the requirement to disclose comparative information about external assistance as specified in ~~1.9.10.1~~ to ~~1.9.10.2724~~ in this Standard in the first year of application of those paragraphs. Paragraph 1.10.30 provides relief from the requirements to apply paragraph 1.10.18 for a period of two years from initial application of that paragraph is Standard.

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- | 1.10.34 ~~1.9.31~~ To ensure users are informed of the extent to which the requirements of this Standard have been complied with, paragraph
- | ~~1.9.10.31~~ 28 requires that entities that make use of these transitional provisions disclose that they have done so.

4. Amendments to Appendix 1 to reflect the requirements of the new Section 10

(Staff Note: Mark-ups identify amendments to the Cash Basis IPSAS. These mark-ups reflect the proposals in ED 32 amended where necessary to fit with the Cash basis IPSAS.)

APPENDIX 1: Illustration of ~~the Disclosure of External Assistance by a Government~~ Requirements of Part 1 of the Standard

The following amendments are proposed to “Appendix 1: Illustration of the requirements of Part 1 of the Standard” (proposed amendments are marked-up).

This Appendix is illustrative only and does not form part of the Standard. It illustrates an extract of a Statement of Receipts and Payments and relevant note disclosures for a government that has received external assistance loans and grants during the current and preceding periods. Its purpose is to assist in clarifying the meaning of the standards by illustrating their application in the preparation and presentation of general purpose financial statements under the cash basis of accounting for a:

- (a) Government which is a recipient of external assistance;*
- (b) Governmental Entity which controls its own bank account, and is not a recipient of external assistance; and*
- (c) Governmental Department which operates under a “single account” system such that a central entity administers cash receipts and payment on behalf of the Department, and is not a recipient of external assistance.*

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(Paragraphs 1.9.86, 1.9.97 and 1.9.108)

CONSOLIDATED FINANCIAL STATEMENTS FOR GOVERNMENT A
CONSOLIDATED STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR YEAR
ENDED 31 DECEMBER 200X - (RECEIPTS ONLY)

	Note	2000X		200X-1	
		Cash Receipts/ (Payments) <u>controlled</u> <u>by entity</u>	Payments by third parties	Cash Receipts/ (Payments) <u>controlled by</u> <u>entity</u>	Payments by third parties
(in thousands of currency units)					
RECEIPTS					
<i>Taxation</i>					
Income tax	X	-		X	-
Value-added tax	X	-		X	-
Property tax	X	-		X	-
Other taxes	X	-		X	-
		<u>X</u>	<u>-</u>	<u>X</u>	<u>-</u>
External Assistance <u>103</u>					
Multilateral Agencies	<u>103</u> X	X		X	X
Bilateral Agencies	<u>103</u> X	X		X	X
		<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Other Grants <u>and Aid</u>		<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>
Other Borrowings		<u>X</u>	<u>X</u>		
<u>Proceeds from borrowing</u>	<u>3</u>	<u>X</u>	<u>X</u>		
<i>Capital Receipts</i>					
Proceeds from disposal of plant and equipment		X	-	X	-
<i>Trading Activities</i>					
Receipts from trading activities		X	-	X	-
Other receipts	<u>4</u>	<u>X</u>	<u>X-</u>	<u>X</u>	<u>X-</u>
Total receipts		<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>

(Note: No amendments are proposed to the illustration of “Payments” in the Statement of Cash Receipts and Payments in Appendix 1(a))

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(STAFF NOTE: The following identifies amendments to Note 6 in the existing Cash Basis IPSAS to reflect the addition of disclosure requirements for external assistance.)

6. Undrawn Borrowing Facilities - Other than Undrawn External Assistance

	(in thousands of currency units)	200X	200X-1
Movement in Undrawn Borrowing Facilities			
Undrawn borrowing facilities at 1.1.0X		X	X
Additional loan facility		X	X
Total available		X	X
Amount drawn		(X)	(X)
Facility closure/cancellations		(X)	(X)
Undrawn borrowing facilities at 31.12.0X.		X	X

	(in thousands of currency units)	200X	200X-1
Undrawn Borrowing Facilities			
Multilateral Development Bank A		X	X
Multilateral Development Bank B		X	X
Regional Development Banks		X	X
Commercial Financial Institutions		X	X
Total undrawn borrowing facilities		X	X

Note 103: External Assistance: (Paragraph 1.10.9)**Payments by Third Parties**

All payments made by third parties are made by third parties which are not part of the economic entity.

Note 103: External Assistance**(Paragraph 1.9.10.9)**

External assistance was received in the form of loans and grants from Multilateral and Bilateral Donor Agencies under agreements specifying the purposes for which the assistance will be utilized. The following amounts are presented in the reporting currency of the entity.

	<u>200X</u>	<u>200X-1</u>
	<u>Total</u>	<u>Total</u>
<u>Borrowed-Loan Funds</u>		
Multilateral Agencies	X	X
Bilateral Agencies	X	X
Total	<u>X</u>	<u>X</u>
<u>Grant Funds</u>		
Multilateral Agencies	X	X
Bilateral Agencies	X	X
Total	<u>X</u>	<u>X</u>
Total External Assistance	<u><u>X</u></u>	<u><u>X</u></u>

Note 103: Non Compliance with significant terms and conditions and rescheduled and cancelled debt**(Paragraphs 1.9.10.20 and 1.9.10.22)**

There have been no instances of non compliance with terms and conditions which have resulted in cancellation of external assistance loans.

External assistance ~~loans-grants~~ of X domestic currency units were cancelled during the reporting period. The cancellation resulted from over estimation of the cost of specified development projects and consequentially expenditure of an amount less than that committed for the period by the donor.

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Note 3: Undrawn External Assistance

(Paragraph 1.9.186)

Undrawn external assistance—Loans and Grants

Undrawn external assistance loans and grants ~~consist of the~~ at reporting date are amounts of external assistance loans and grants agreed with external assistance agencies specified in a binding agreement which that have not been utilized relate to funding for projects currently under development, where conditions have been satisfied, and their ongoing satisfaction is highly likely, and the project is anticipated to continue to completion at the close of the fiscal year.

	Loans 200X	Grants 200X	Loans 200X-1	Grants 200X-1
Closing balance <u>in reporting currency</u>	X	X	X	X
Closing balance by currency held				
US Dollar	-	X	X	X
Euro	X	X	X	X
Yen	X	X	X	X
Other	X	X	X	X
Total	X	X	X	X

The significant terms and conditions that determine or affect access to the amount of undrawn assistance relate to the achievement of the following specified construction targets for development of medical and education infrastructure: (Outline significant construction targets.)

PART 2: Encouraged Additional Disclosures

This part of the Standard is not mandatory. It sets out encouraged additional disclosures for reporting under the cash basis. It should be read together with Part 1 of this Standard, which sets out the requirements for reporting under the cash basis of accounting. The encouraged disclosures, which have been set in italic, should be read in the context of the commentary paragraphs in this part of the Standard, which are in plain type.

5. Amendment to current paragraphs 2.1.25 and 2.1.30 to note the addition of encouraged disclosures about external assistance.

2.1.25 Cash payment items and payments by third parties may be further sub-classified in order to enhance accountability by identifying the major purposes for which the payments are made. They may also be subclassified in order to highlight the costs and cost recoveries of particular programs, activities or other relevant segments of the reporting entity. An entity is encouraged to present this information in at least one of the following two ways.

2.1.30 Paragraph 1.3.12 of Part 1 of this Standard requires the disclosure of 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. The sub-classification of cash receipts into appropriate classes will depend upon the size, nature and function of the amounts involved. In addition to disclosure of the amount of receipts from external assistance and borrowings, the following sub-classifications may be appropriate:

- (a) receipts from taxation (these may be further sub-classified into types of taxes);
- (b) receipts from fees, fines, penalties and licenses;
- (c) receipts from exchange transactions including receipts from the sale of goods and services and user charges (where these are classified as exchange transactions);
- (d) the purposes for which external assistance grants and loans are provided, the providers of that assistance and the amount provided;
- (e) receipts from additional grants, transfers, or budget appropriations (possibly classified by source and purpose);
- (f) receipts from interest and dividends; and
- (g) receipts from gifts and donations.

Financial Reporting under the Cash Basis of Accounting**6. Addition of paragraphs 2.1.64- 2.1.95 to Part 2 of the Cash Basis IPSAS****Assistance Received From Non-Governmental Organizations (NGOs)**

2.1.64 Where practicable, an entity is encouraged to apply to assistance received from non-governmental organizations (NGOs), the required disclosures identified in paragraphs 1.10.1 to 1.10.27 of Part 1 of this Standard and the encouraged disclosures identified in paragraphs 2.1.66 to 2.1.93 below.

2.1.65 Reporting entities are not required to make the disclosures identified in paragraphs 1.10.1 to 1.10.27 in respect of assistance received from non-governmental organizations (NGOs). This is because the costs of collecting and aggregating the information necessary to comply with those requirements may be greater than its benefits. However, making the disclosures about assistance received from NGO's which are identified in paragraphs 1.10.1 to 1.10.27, together with the disclosures encouraged in paragraphs 2.1.66 to 2.1.93 below, can provide additional input to assessments of the extent to which the reporting entity is dependent on assistance from these organizations to support its activities. Accordingly, reporting entities are encouraged to apply the disclosures identified in this Standard to assistance received from NGO's, where it is practicable to do so.

Recipients of External Assistance

2.1.66 ~~2.1.60~~ An entity is encouraged to disclose by significant class in notes to the financial statements:

(a) the purposes for which external assistance was received during the reporting period, showing separately amounts provided by way of loans and grants; and

(b) the purposes for which external assistance payments were made during the reporting period.

2.1.67 ~~2.1.61~~ An entity may receive external assistance for many purposes including assistance to support its:

- (a) Economic development or welfare objectives, often termed development assistance;
- (b) Emergency relief objectives, often termed emergency assistance;
- (c) Balance of payments position or to defend its currency exchange rate, often termed balance of payments assistance;
- (d) Military and/or defense objectives, often termed military assistance; and
- (e) Trading activities, including export credits or loans offered by export/import banks or other government agencies, often termed trade finance.

- 2.1.68 ~~2.1.62~~ Part 1 of this Standard requires disclosure of the total amount of external assistance received during the reporting period showing separately the total amount received by way of grants and loans. Disclosure of the significant classes of external assistance received, ~~and whether that assistance was provided~~ by way of loan or grant, will enable users to determine the purposes for which assistance was provided during the period, the amounts thereof and whether the entity has an obligation to repay the assistance provided at some time in the future.
- 2.1.69 Disclosure by significant class of the purposes for which external assistance payments were made during the reporting period will further enhance the entity's accountability for its use of external assistance received.
- 2.1.70 ~~2.1.63~~ An entity is encouraged to identify in notes to the financial statements each provider of external assistance during the reporting period and the amount provided, excluding any undrawn amounts, showing separately amounts provided by way of loans and grants in the currency provided.
- 2.1.71 ~~2.1.64~~ Disclosure of each provider of external assistance and the amount provided by way of loan and grant will indicate the extent of diversification of sources of assistance. This will assist readers of the financial statements to determine for example, whether ~~the~~ entity is dependent on particular agencies for assistance, the extent of that dependency and the currency in which it was provided, and whether the

assistance is provided by way of a grant or a loan which will need to be repaid in the future. The disclosure encouraged by this paragraph excludes amounts that have not been drawn down during the period. Paragraph 2.1.72 encourages disclosure of information about undrawn amounts of external assistance in certain circumstances.

2.1.72 ~~2.1.65~~ *In respect of external assistance that is undrawn at reporting date and is disclosed in accordance with paragraph 1.10.18 of Part 1 of this Standard, An entity is encouraged to disclose ~~by significant class~~ in notes to the financial statements:*

- (a) ~~Each provider~~ *Providers of the loan assistance and grant assistance ~~that is undrawn at reporting date and is disclosed in accordance with paragraph 1.10.18 of Part 1 of this Standard~~ and the amount provided by each;*
- (b) *The purposes for which the undrawn loan assistance and undrawn grant assistance may be used;*
- (c) *The currency in which the undrawn assistance is held or will be made available; and*
- (d) *Changes in the amount of undrawn loan assistance and undrawn grant assistance during the period.*

2.1.73 ~~2.1.66~~ Undrawn external assistance balances are required to be disclosed in certain circumstances by paragraph 1.10.18 of Part 1 of this Standard. The disclosures encouraged by paragraph 2.1.72~~65~~ will enable readers of the financial statements to determine the purposes for extent to which such undrawn assistance is currently available for particular purposes or activities may be used in the future, the currency in which that undrawn assistance is held or will be made available, the class of providers of that assistance and whether the amount of undrawn loan and grant assistance declined or increased during the period.

2.1.74 ~~2.1.67~~ As is appropriate for the reporting entity, the disclosures could usefully identify such matters as the opening balance of undrawn loans and grants, the amount of new loans and new grants approved or otherwise made available during the period, the total amount of loans and grants drawn or utilized during the period, the total amounts of loans and grants cancelled or expired during the period, and the closing

balance of undrawn loans and grants. Such disclosures will assist users in identifying not only the amount of the change in undrawn balances, but also the components of that change. ~~This will enable users to determine whether, for example, assistance is being drawn and replaced and the composition of the change.~~

2.1.75 ~~2.1.68~~ Where ~~such~~ disclosures of changes in the amount of undrawn assistance are made in the entity's reporting currency, external assistance denominated in a foreign currency will be reported in the entity's reporting currency by applying to the foreign currency amount the exchange rate on the date of each applicable transaction, consistent with the requirements of Part 1 of this Standard.

2.1.76 ~~2.1.69~~ *An entity is encouraged to disclose in notes to the financial statements the terms and conditions of external assistance agreements that determine or effect access to, or limit the use of, external assistance.*

2.1.77 ~~2.1.70~~ Some external assistance agreements limit or specifically define the use or purpose for which the external assistance may be used, or limit the sources from which goods or services ~~funded under the external assistance~~ may be purchased. This type of external assistance term or condition may specify that the funds are available only to purchase specific inputs for the construction of specified facilities at a specified location, or that the goods or services purchased under the external assistance agreement must originate from a specified country or countries.

2.1.78 ~~2.1.71~~ Some external assistance may be released on specific dates, or may be released upon the entity:

- (a) Undertaking actions specified in an external assistance agreement, such as implementing specific policy changes; or
- (b) Achieving ongoing performance targets, such as budget deficit targets or other broad economic objectives, or establishing a financial sector asset recovery or management agency.

2.1.79 ~~2.1.72~~ Disclosure of terms and conditions that determine or affect access to external assistance will indicate the extent to which external assistance is time bound and/or is dependent upon the entity taking

certain actions and achieving certain performance objectives, and what those actions and performance objectives are.

2.1.80 ~~2.1.73~~ *An entity is encouraged to disclose in notes to the financial statements:*

- (a) *The outstanding balance of any ~~external assistance~~ loans for which performance has been guaranteed by third parties, any terms and conditions related to those loans, and any additional terms and conditions arising from the guarantee; and*
- (b) *The amount and terms and conditions of grants that have been guaranteed by a third party or parties, and any additional terms and conditions arising from the guarantee.*

2.1.81 ~~2.1.74~~ External assistance may consist of, or include, a guarantee of the balance of a loan borrowed by an entity and payment of interest thereon, in total or up to a specified amount. It may also include a guarantee of performance of some action under the loan, such as setting tariffs according to an agreed formula. Grants may also be subject to terms and conditions which are guaranteed by third parties.

2.1.82 ~~2.1.75~~ Disclosure of the amounts of loans and grants guaranteed by third parties will indicate the extent of support from another entity to obtain the benefits of the external assistance agreement. ~~This will provide readers of the financial statements with a more comprehensive overview of the extent to which the entity is dependent on external assistance to access financial resources.~~ Disclosure of the terms and conditions of loans and grants that have been guaranteed and any additional terms and conditions imposed to effect that guarantees encouraged by paragraph 2.1.73 will ~~also~~ indicate the additional performance requirements or conditions that arise as a consequence of securing the guarantee.

2.1.83 ~~2.1.76~~ *An entity is encouraged to disclose in notes to the financial statements other significant terms and conditions associated with external assistance loans, grants or guarantees that have not been complied with, together with the consequence of the non compliance.*

2.1.84 ~~2.1.77~~ Paragraph 1-9.10.252 of Part 1 of this Standard requires the disclosure of significant terms and conditions that have not been complied with when non compliance has resulted in cancellation of the

assistance or given rise to an obligation to return assistance previously provided. External assistance agreements may also include other significant terms and conditions that are to~~must~~ be complied with ~~for access to external assistance funds in the future~~, as well as some procedural terms and conditions. Consequences of non compliance with ~~these othersuch~~ significant terms and conditions may include a reduction in the amount, or variation in the timing, of funds that may be drawn or made available in the future until the default is corrected or, an increase in the interest rate charged on loan funds, ~~or repayment of a portion of the funds already drawn down~~. ~~Default may occur during the draw down period for the loan or grant or during the life of the agreement. Guarantee agreements usually carry cross default clauses which trigger a default under the guaranteed loan if the guarantee agreement is violated.~~

- 2.1.85 ~~2.1.78~~ Identifying these other significant terms and conditions which have not been complied with is likely to require professional judgment. That judgment will be exercised in the context of the entity's particular circumstances and by reference to the qualitative characteristics of financial statements. These terms and conditions are likely to be those where non compliance ~~requires the entity to repay material amounts of assistance already drawn down or reduces the ability of the entity to access external assistance in the future.~~

~~2.1.79 Disclosure of these other significant terms and conditions that have not been complied with, and the consequences thereof, will assist the readers of the financial statements to determine such matters as whether non compliance~~ is likely to affect the amount or timing of funds that will be available to support the entity's future operations, ~~and what actions need to be taken to re-establish compliance with the agreement.~~

- 2.1.86 ~~2.1.80~~ *An entity is encouraged to disclose in the notes to the financial statements, a summary of the repayment terms and conditions of outstanding external assistance debt. Where disclosures of future debt service payments denominated in a foreign currency are made, the entity is encouraged to report them in the entity's reporting currency by applying to the foreign currency amount of those payments the closing rate.*

- 2.1.87 ~~2.1.81~~ External assistance debt agreements will include terms and conditions relating to such matters as the grace period, interest rate, current debt service payments, future debt service payments, remaining term of the loan, currency of debt service payments, principal repayment requirements (where repayment of the principal is deferred until the end of the loan term, or some other future date), and ~~any~~ other significant repayment terms.
- 2.1.88 ~~2.1.82~~ Debt service payments may be a significant cash outlay for the entity and will impact on cash available to fund current and additional operations. Disclosure of repayment terms and conditions of outstanding external assistance debt will enable readers of the financial statements to determine when debt service payments (principal and interest or service charges) will commence, and the amount of principal and interest or service charge payable.
- ~~2.1.83 Future debt service payments for outstanding external assistance debt may be denominated in a foreign currency. Where disclosures of future debt service payments are made, the entity is encouraged to report them in the entity's reporting currency by applying to the foreign currency amount of those payments the closing rate. This will indicate the nature of the foreign exchange risk, if any, associated with the future repayment of external assistance.~~
- 2.1.89 ~~2.1.84~~ Disclosure of information about repayment terms and conditions may require the estimation of, for example, the interest rate to be applied to variable rate debt. The estimated interest rate will usually be determined by reference to applicable interest rates at the closing date. In accordance with the requirements of paragraph 1.3.30 to 1.3.37 of Part 1 of this ~~is e-Cash Basis IPSAS Standard~~, when an entity elects to make disclosures which involve estimates, accounting policies selected and applied in developing such estimates will be disclosed where necessary for a proper understanding of the financial statements.
- 2.1.90 ~~2.1.85~~ *An entity is encouraged to disclose separately in the notes to the financial statements the value of external assistance received in the form of goods or services.*
- 2.1.91 ~~2.1.86~~ Significant resources may be received under external assistance agreements in the form of goods or services ~~in kind~~. This will occur when new or used goods such as vehicles, computers or other

equipment ~~is-are~~ transferred to the entity under an external assistance agreement. It will also occur when food aid is provided to a government for distribution to its citizens under an external assistance agreement. For some recipients, goods or services may be the major form in which external assistance is received.

2.1.92 ~~2.1.87~~ Disclosure of the value of external assistance received as goods and services ~~in-kind~~ will assist readers of the financial statements to better understand the full extent of external assistance received during the reporting period. However, in some cases and for some recipients, determining the value of such goods and services can be a difficult, time consuming and costly process. This is particularly so where a domestic market price for those goods and services cannot be readily determined, where the goods and services provided are not widely traded in international markets or where they are of an unique nature, such as often occurs in respect of emergency assistance.

2.1.93 ~~2.1.88~~ This Standard does not specify the basis on which the value of the goods or services is to be determined. Therefore, their value may be determined as the depreciated historical cost of physical assets at the time the assets are transferred to the recipient or the price paid for the food by the external assistance agency. It may also be determined on the basis of an assessment of the value by management of the transferor, or the recipient, or by a third party. Where the value of external assistance in the form of goods or services is disclosed, paragraph 1.10.21 of Part 1 of this Standard requires the disclosure of the basis on which that value is determined. Where such is described as fair value it will conform with the definition of fair value, being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

7. Amendments to Appendix 2

(Staff Note: The following illustrative disclosures are additional to those already included in Appendix 2 of the Cash Basis IPSAS.

The following amendments to the existing Appendix 2 are also necessary: update terminology adopted in budget comparisons to reflect addition of section on external assistance.

Appendix 3, 4 and 5 of the Cash Basis IPSAS remain unchanged.)

APPENDIX 2: Illustration of Certain Disclosures Encouraged in Part 2 of the Standard

This appendix is illustrative only. The purpose of the appendix is to illustrate the application of the encouragements and to assist in clarifying their meaning.

Extract From Notes to the Financial Statements

Assistance Provided by Non-Governmental Organizations (NGO's)

(Paragraph 2.1.64)

Assistance from NGO's is included in the amount of "Other Grants and Aid" in the Statement of Cash Receipts and Payments. The amount of assistance from NGO's received during the reporting period in the reporting currency is:

	<u>200X</u>		<u>200X-1</u>	
	<u>Cash Receipts</u>	<u>Payments by third parties</u>	<u>Cash Receipts</u>	<u>Payments by third parties</u>
<u>Grant Funds</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>-</u>
<u>Loan Funds</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>-</u>

External assistance was received from NGO's under agreements specifying that the assistance would be utilized for the following purposes:

	<u>Development Assistance</u>		<u>Emergency Assistance</u>		<u>Other</u>		<u>Total</u>	
	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
<u>NGO 1</u>	<u>X</u>	<u>X</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>NGO 2</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>-</u>
<u>NGO 3</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>X</u>
<u>Total</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>USD</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>-</u>	<u>X</u>	<u>X</u>	<u>X</u>
<u>Euro</u>	<u>X</u>	<u>X</u>	<u>X</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>-</u>
<u>Yen</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>X</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>X</u>

The currency in which external assistance was provided was as follows:

- NGO 1 - US Dollars to the amount of YYY and other currency being (specify currency) to the amount of X
- NGO 2 – Euros to the amount of YYY
- NGO 3 – Yen to the amount of YYY

The assistance was fully used for the purposes specified.

While NGO 1, 2 and 3 have indicated their intention to provide ongoing emergency assistance as the need arises and their resources allow, the extent of the assistance is not subject to binding written agreements. It

will be determined on the basis of an assessment of needs and the capacity of each NGO to provide ongoing assistance.

During 200X, NGO 1 provided medical teams and medical equipment in support of earthquake victims in the ZZZ Region. Temporary shelter, food and clothing were also supplied by NGO 2. The value of the goods and services received has been estimated at XX domestic currency units. The value of the specialized emergency assistance provided has been determined based on cost estimates provided by the NGO's involved.

There have been no instances of non compliance with terms and conditions which have resulted in cancellation of assistance grants. There were no amounts of undrawn assistance from NGO's in 200X or 200X-1

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING — ENCOURAGED ADDITIONAL DISCLOSURES

Classes of External Assistance (*Paragraph 2.1.660, 2.1.63 and 2.1.7069*)

During the reporting period external assistance was received from Multilateral and Bilateral External Assistance Agencies under agreements specifying that the assistance would be utilized for the following purposes:

	Development Assistance		Emergency Assistance		Trade Finance		Other	
	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
Borrowed-Loan Funds	X	X	-	-	X	-	X	-
Grant Funds	X	-	X	X	-	-	X	X
Total	X	X	X	X	X	-	X	X
Amount utilized	X	X	X	X	X	X	X	X

	Agency 1		Agency 2		Agency 3		Agency 4	
	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
Loan Funds	X	X	-	-	X	-	X	X
Grant Funds	X	-	X	X	-	X	X	X
Total	X	X	X	X	X	X	X	X
<u>Currency: US Dollar</u>	<u>X</u>	<u>X</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Euro</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>X</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Yen</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>X</u>	<u>-</u>	<u>-</u>
<u>Other</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>X</u>

Undrawn External Assistance (*Paragraph 2.1.7265*)

Undrawn external assistance loans and grants consist of amounts which have been specified in a binding agreement agreed with external assistance agencies, that have not been utilized at fiscal year end reporting date and are subject to terms and conditions that have been satisfied in the past and it is anticipated will be satisfied in the future. External assistance loans cancelled or expired resulted from overestimation of the cost of development projects. Changes in the amount of undrawn assistance loans and grants is presented in the entity's reporting currency.

	Development Assistance		Emergency Assistance		Trade Assistance	Other	Other Total	
Opening balance	200X	200X-1	200X	200X-1	200X	200X-1	200X	200X-1
Loans	X	X	-	-	X	X	X -	X
Grants	X	X	X	X	-	-	X	X
Approved in period								
Loans	X	X	-	-	X	X	X	X
Grants	X	X	X	X	X	X	X	X
Total available	X	X	X	X	X	X	X	X
Loans drawn down	X	X	-		X	X	X	-
Grants drawn down	X	X	X	X	-	-	X	X
Loans cancelled/ expired	(X)	(X)	-	-	-	-	-(X)	(X) -
Grants cancelled/ expired	-	-	-	-	-	-	-	-
Exchange difference	X	X	-	-	X	X	X	X
Closing balance	X	X	-	-	X	X	X	X

Closing balance	Development Assistance		Emergency Assistance		Trade Assistance	Other	Other	Total
By currency <u>held</u>	200X	200X-1	200X	200X-1	200X	200X-1	200X	200X-1
US Dollar	X	X	X	XX	X	X	X	X
Euro	X	X	X	XX	X	X	X	X
Yen	X	X	X	X	X	X	X	X
Other	X	X	X	X	-	-	X	-
Total	X	X	X	X	X	X	X	X
By providers - by reporting currency								
Loans								
Multilateral <u>Agencyies1</u>	X	X	X	X	X	X	X	X
Bilateral <u>Agencyies4</u>	X	X	X	X	X	X	X	X
Grants								
Multilateral <u>Agencyies2</u>	X	X	X	XX	X	X	X	X
Bilateral <u>Agencyiesy4</u>	X	X	X	XX	X	X	X	X
Total	X	X	:	X	X	X	X	X

Significant terms and conditions (*Paragraph 2.1.769*)General Restrictions

The balance of commitments for, and undrawn balances of, external assistance is subject to, or restricted by, ~~prior~~ performance of ~~specific~~ agreed actions or the maintenance of agreed economic or financial performance levels. ~~by the Government or the relevant project implementation agency.~~

The Government has prepared an economic development plan for receipt of ~~balance of payments~~development assistance. The plan includes a poverty reduction strategy which is supported by the donor community. The Government and the donors have agreed the following major targets ~~for reducing the fiscal deficit to sustainable levels within five years through a program of tax reforms, sale of certain state-owned enterprises and by focusing expenditures within the poverty reduction strategy: ... (insert major targets).~~ ~~Fiscal expenditures will be increased for the agricultural, health, education and trade support sectors.~~ The Government and the donor community have agreed on methods to monitor progress to achieve the agreed targets and ~~have agreed to will~~ meet annually to review progress. ~~and to ensure continued donor financial support for the Government's economic development plan.~~

Loans and grants to support specific projects include financial performance targets for all electricity and water utilities to ensure adequate revenue to cover the cost of providing services, to properly maintain existing utility assets and to contribute to a program of asset replacement and renewal.

Procurement Restrictions

Certain development assistance received is subject to restrictions in regards to the nature of goods or services that may be purchased or the country in which the goods or services may be purchased. All multilateral development bank loans or grants are restricted in that (a) they prohibit the use of their funds for the purchase of military goods or services, luxury goods or environmentally damaging goods and (b) the purchase of goods or services must be from their respective member countries. Bilateral Agencies are either unrestricted or limit purchases of goods or services to the country providing the funds. All "Specific Purpose Loans or Grants" fund specifically defined projects and as such the procurement of goods and services is restricted to the agreed inputs for each project.

Non Compliance with other significant terms and conditions (*Paragraph 2.1.83.76*)

The Government's expenditures in the education sector did not meet the ~~investment~~-target level primarily due to construction delays caused by an earthquake. Expenditures were one percent below the target. Steps have been taken to correct the under investment in the education sector and the Government and the relevant donors support the corrective actions planned. The Government has complied with all procurement regulations applicable under all outstanding external assistance loans and grants.

Guarantees (*Paragraph 2.1.8073*)~~Undrawn external assistance—Guarantees~~

~~Guarantees issued by the~~ The Government of YYYY ~~has guaranteed covering undrawn an outstanding~~ commercial export financing ~~loan at the end of 200X~~ in the amount of ~~US Dollars currency units~~ XXX (200X-1: ~~US Dollars Nil~~) ~~is not included in the above tables~~ The principle is to be repaid in 5 years. The interest rate applicable to the outstanding balance is Y%. Annual, interest only service payments are to be made. No additional terms or conditions arise from the guarantee.

Repayment Terms and Conditions - Debt Service Obligations (*Paragraph 2.1.860*)

~~The terms of d~~Development Assistance ~~assistance loan terms~~ include grace periods which range from ~~at least five X~~ years to ~~a maximum of seven Y~~ years. Interest rates include both fixed rates and variable rates. ~~All d~~Development assistance ~~debt loans are~~ denominated in ~~X and Y currency units~~ US Dollars. Interest rates on fixed rate loans, as of fiscal year ending 200X range from ~~5.25 X~~ percent to ~~6.75 Y~~ percent with a weighted average of ~~5.95 Z~~ percent. For the fiscal year ending 200X-1, they range from ~~5.25 X~~ percent to ~~6.7 Y 0~~ percent with a weighted average of ~~5.92 Z~~ percent. Interest rates on variable rate loans range from LIBOR plus ~~1-X~~ percent to LIBOR plus ~~1.25 Y~~ percent with a weighted average at the end of fiscal year 200X of ~~7.35~~ percent and at the end of fiscal year 200X-1 of ~~7.27 Z~~ percent. Some development assistance credits include a grace period of ten years and are interest free but a service charge of ~~0.75 X~~ percent applies.

~~Major features of trade assistance/finance debt are:~~

- ~~• Trade Assistance/Finance terms do not include grace periods;~~
- ~~• Interest rates include both fixed rates and variable rates;~~

- ~~Fixed rates range from 7.3 percent to 8.2 percent for debt denominated in US Dollars, with a weighted average of 7.75 percent; 7.25 to 8.4 percent for debt denominated in Euros with a weighted average of 7.76 percent and 3.25 to 4.70 percent for debt denominated in Yen with a weighted average of 3.75 percent; and~~
- ~~Variable interest rates range from 5.85 percent to 8.85 percent for debt denominated in US Dollars, with a weighted average of 6.80 percent; 5.80 percent to 8.70 percent for debt denominated in Euros, with a weighted average of 6.85 percent; 3.70 percent to 3.95 percent for debt denominated in Yen, with a weighted average of 3.82 percent.~~

Other External Assistance loans ~~does~~ not include a grace period, and ~~are~~ all denominated in X and Y currency units ~~US Dollars~~, and includes a ~~Poverty Reduction and Growth Facility with interest set at 0.5 percent and an Extended Fund Facility with interest set at 4.75 percent.~~

200X**Outstanding Debt by Remaining
Grace Period Years**

	Expired	0 – 4	5 – 7	Total
Development Assistance	X	X	X	X
Trade Finance	X	-	-	X
Other	X	-	-	X
Total	X	X	X	X

200X-1**Outstanding Debt by Remaining
Grace Period Years**

	Expired	0 – 4	5 – 7	Total
Development Assistance	X	X	X	X
Trade Finance	X	-	-	X
Other	X	-	-	X
Total	X	X	X	X

Development Assistance loans have repayment periods varying from ~~20-X~~ years to ~~25-Y~~ years subsequent to the grace period with a weighted average for

outstanding debt of ~~27.7Z~~ years including the grace period. In all cases, the debt service is based on a fixed payment of principal plus interest accrued.

~~Development assistance credits have repayment periods of 30 years following the grace period with a weighted average for outstanding debt of 32.4 years including the grace period. Debt service is based on a fixed payment of principal plus a service fee.~~

~~Trade Assistance/Finance loans have repayment periods varying from 3 to 7 years with a weighted average of 4.7 years. Debt service is based on a fixed payment of principal plus interest accrued.~~

Other Assistance loans have repayment periods varying from ~~2-X~~ to ~~7-Y~~ years with a weighted average of ~~4.9Z~~ years. Debt service is based on a fixed payment of principal plus interest accrued.

200X

Debt Service Payments Including Interest

US

	Dollar	Euro	Yen	Other	Total
Development Assistance	X	X	X	X	X
Trade Assistance/Finance	X	X	X	-	X
Other	X	X	-	-	X
Total	X	X	X	X	X

200X-1

Debt Service Payments Including Interest

US

	Dollar	Euro	Yen	Other	Total
Development Assistance	X	X	X	X	X
Trade Assistance/Finance	X	X	X	-	X
Other	X	X	-	-	X
Total	X	X	X	X	X

All debt service payments for subsequent years are based on a fixed payment of principal plus accrued interest. Interest payments or service charges are based on the outstanding principal of each loan or credit at the end of the current year, and for variable interest rate loans, at interest rates prevailing at that date. Debt

service payments denominated in foreign currency have been determined by applying the closing rate of exchange on the reporting date of the financial statements.

200X + 1 and Subsequent Years

Debt Service Payments Including Interest

	US				
	Dollar	Euro	Yen	Other	Total
Development Assistance	X	X	X	X	X
Trade Finance	X	X	X	-	X
Other	X	X	-	-	X
Total	X	X	X	X	X

Receipt of Goods and Services ~~In-Kind~~ (Paragraph 2.1.~~90~~¹⁸⁵ and 1.~~9~~¹⁰.~~2~~¹⁸)

During 200X, a severe earthquake occurred in the ZZZ Region inflicting serious damage to government property and private property, and significant loss of life. Multilateral agencies and bilateral agencies of sSeveral nations donated specialized professionals and equipment to assist in locating and rescuing individuals trapped in the rubble. In addition, specialized medical teams trained in trauma treatment together with medical equipment, were flown into the region. Temporary shelter and food were also supplied. The value of goods and services received has been estimated at XX domestic currency units. The value of those specialized emergency assistance provided has been determined based on cost estimates provided by the bilateral aid agencies involved because local prices for equivalent goods or services were not available.

Fifty thousand tons of rice was received as food aid during the year. It has been valued at XX domestic currency units which represents the wholesale price of similar rice in domestic wholesale markets.

Goods ~~and services in-kind~~ received during the year, have not been recorded in the Statement of Cash Receipts and Payments, which reflects only cash received (directly or indirectly) or paid by the Government. Goods and services-in-kind were received as part of the emergency assistance and are reflected in this note.

APPENDIX 6: Rescheduled or Cancelled Debt

This Appendix discusses the circumstances involved in rescheduling or cancellation of sovereign debt and the impact on the entity's financial statements.

The following terms are used in this Appendix 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 International Monetary Fund's (IMF's) Poverty Reduction and Growth Facility;
- (b) — Face an unsustainable debt situation even after the full application of traditional debt relief mechanisms; and
- (c) — Have a proven track record in implementing strategies focused on reducing poverty and building the foundation for sustainable economic growth.

HIPC Trust Fund has been established on the basis of contributions from participating multilateral creditors and bilateral donors.

A government experiencing difficulty in servicing its debt, including bilateral development assistance debt, may seek renegotiation of the terms of its sovereign debt under Paris Club arrangements. The Paris Club is not a legally established entity — it is an informal group of official creditors that seek to find coordinated and sustainable solutions to balance of payments difficulties experienced by debtor nations. Although each situation considered by Paris Club members is unique, and is considered on a case by case basis, the members have harmonized the circumstances under which they will agree to forgive, defer or reschedule debt and the amount of medium to long term debt that will be addressed.

Paris Club negotiations may respond to short term balance of payments difficulties by addressing a financing gap covering up to three years debt service payments, or may respond to long term balance of payments difficulties by addressing the remaining debt service requirements for debt existing at the time of the negotiations.

Rescheduling debt service payments for least developed countries may involve revised payment terms for sovereign commercial debt of up to 23 years (including up to 6 years grace during which only interest on the deferred amount is paid) and up to 40 years for official development assistance (including a grace period of up to 16 years). Debt from multilateral agencies such as the International Monetary Fund (IMF), the World Bank or regional development banks is not eligible for Paris Club consideration.

Increasingly, debt cancellation is applied as part of the solution to addressing long term balance of payments issues. Under the negotiations described above, debt cancellation of up to 67% of the remaining debt service obligations may be considered. For the least developed and most indebted countries, the Paris Club will consider debt cancellation of up to 90% of remaining debt service obligations. HIPC's may also seek relief from debt service obligations to multilateral agencies through the HIPC Trust Fund. The proceeds of the HIPC Trust Fund are used to repay or purchase a portion of the debt owed to a multilateral creditor(s) and cancel such debt or to make a debt service payment(s) on behalf of the HIPC as it comes due.

While the Paris Club provides a structure and a harmonized approach to address a portion of a country's balance of payments difficulties, it does not provide an overarching agreement between its members and the creditor nation. Each agreement covered by Paris Club consideration must be individually amended to reflect changes in the terms and conditions of the loan. An overarching set of conditions is provided by reference in the revised agreements to adherence with the terms and conditions of an IMF loan. In the case of HIPC's the overarching conditionality is provided by a Poverty Reduction Strategy Plan supported by loans from both the IMF and the World Bank and, in some cases, other agencies.

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 changed. The notes to the financial statements of the entity involved should disclose the amount of external assistance debt rescheduled or cancelled, together with any renegotiated terms and conditions consistent with disclosure requirements specified in this Standard. This would include material additional terms and conditions resulting from, or in conjunction with, Paris Club negotiations or the HIPC initiative, such as obligations under an IMF or World Bank loan including a poverty reduction

strategy plan. Rescheduling or cancellation of sovereign debt due to an immediate or anticipated inability to service the debt is a material event and should be disclosed in accordance with the requirements of this Standard.

This Standard also encourages disclosure in notes to the financial statements of significant terms and conditions associated with external assistance loans, grants or guarantees that have not been complied with together with the consequence of the non compliance. Disclosure of the entity's inability to service its debt(s) and the principal terms of the rescheduling that arise as a consequence is consistent with this encouraged disclosure.

Repayments made on behalf of the entity by the HIPC Trust Fund should be reported as cash receipts and disclosed in a separate column disclosing third party payments in the Statement of Cash Receipts and Payments in accordance with the provisions of this Standard. A third party payment(s) of debt amortization obligations as part of debt relief is likely to be a material event and should be disclosed in accordance with the provisions of this Standard with a reference to the note describing the debt relief.

**Further information regarding the Paris Club
may be obtained from their website
<http://www.clubdeparis.org/en/>**

The following identifies proposed amendments to the Cash Basis IPSAS to incorporate the requirements and encouragements flowing from ED 32. They need to be read in conjunction with the Cash basis IPSAS itself.

The following pages are marked up to identify amendments to the text of ED 32 proposed for inclusion in the Cash Basis IPSAS as a new Section 1.10, and proposed amendments to existing paragraphs of the Cash Basis IPSAS to acknowledge the addition of the section on external assistance.

(As noted in the covering memorandum, the introductory material to ED 32 and appendix 6 have been deleted without mark up.)

The amendments to the Cash Basis IPSAS are identified as follows:

- 1 Additions to the contents page of the Cash Basis IPSAS.*
- 2 Amendments to current paragraph 1.3.18 of the Cash Basis IPSAS to acknowledge the additional of section 1.10.*
- 3 The addition of section 1.10 “Recipients of External Assistance” to Part 1 of the Cash Basis IPSAS.*
- 4 Amendments to Appendix 1 to reflect the requirements of the new Section 1.10.*
- 5 Amendments to current paragraph 2.1.25 and 2.1.30 to note the addition of encouraged disclosures about external assistance.*
- 6 Addition of paragraphs 2.1.64- 2.1.95 to Part 2 of the Cash Basis IPSAS.*
- 7 Amendments to Appendix 2.*

1. Additions to contents page of the Cash Basis IPSAS

**FINANCIAL REPORTING UNDER THE CASH BASIS OF
ACCOUNTING – DISCLOSURE REQUIREMENTS FOR
RECIPIENTS OF EXTERNAL ASSISTANCE**

CONTENTS

Paragraph

Part 1: Requirements (*insert following section 9*)

1.10 Recipients of External Assistance	1.10.1–1.10.34
Definitions.....	1.10.1–1.10.2
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Disclosure of Debt Rescheduled or Cancelled	1.10.23–1.10.24
Disclosure of Non Compliance with Significant Terms and Conditions	1.10.25–1.10.27
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APPENDIX 1: Illustration of the Requirements of Part 1 of the Standard

Part 2: Encouraged Additional Disclosures

(Insert following “selection and use of the general price index”...2.1.62 - 2.1.63)

Assistance Received from Non-Governmental Organizations (NGOs)	2.1.64–2.1.65
Recipients of External Assistance	2.1.66–2.1.93

APPENDIX 2: Illustration of Certain Disclosures Encouraged in Part 2 of the Standard

2. Amendments to paragraph 1.3.18 of the cash basis IPSAS to acknowledge the additional section 1.10

Line items, headings and sub-totals

- 1.3.18 Factors to be taken into consideration in determining which line items, headings and sub-totals should be presented within each sub-classification in accordance with the requirements of paragraph 1.3.14 above include: the requirements of other sections of this Standard (for example, paragraph 1.10.8 requires that total external assistance received in cash during the period be disclosed separately on the face of the Statement of Cash Receipts and Payments); assessments of the likely materiality of the disclosures to users; and the extent to which necessary explanations and disclosures are made in the notes to the financial statements. Paragraphs 2.1.23 to 2.1.30 of Part 2 of this Standard set out disclosures of additional major classes of cash flows that an entity is encouraged to make in the notes to the financial statements or in the financial statements themselves. It is likely that in many, but not necessarily all, cases these disclosures will satisfy the requirements of paragraph 1.3.12 above.

3. Additional Section 1.10 “Recipients of External Assistance” of Part 1 of the Cash Basis IPSAS

1.10 Recipients of External Assistance

Definitions

- 1.10.1** The following terms are used in this Standard with the meaning specified:

Assigned External Assistance means any external assistance, including external assistance grants, technical assistance, guarantees or other assistance, received by an entity that is assigned by the recipient to another entity.

Bilateral External Assistance Agencies are agencies established under national law, regulation or other authority of a nation for the purpose of, or including the purpose of, providing some or all of that nation's external assistance.

External Assistance means all official resources which the recipient can use or otherwise benefit from in pursuit of its objectives.

Multilateral External Assistance Agencies are all agencies established under international agreement or treaty for the purpose of, or including the purpose of, providing external assistance.

Non-Governmental Organizations (NGOs) are all foreign or national agencies established independent of control by any government for the purpose of providing assistance to government(s), government agencies, other organizations or to individuals.

Official Resources means all loans, grants, technical assistance, guarantees or other assistance provided or committed under a binding agreement by multilateral or bilateral external assistance agencies or by a government, or agencies of a government, other than to a recipient of the same nation as the government or

government agency providing, or committing to provide, the assistance.

Re-Lent External Assistance Loans means external assistance loans received by an entity that are lent by the recipient to another entity.

- 1.10.2 Different organizations may use different terminology for external assistance or classes of external assistance. For example, some organizations may use the term external aid or aid, rather than external assistance. In these cases, the different terminology is unlikely to cause confusion. However, in other cases, the terminology may be substantially different. In these cases, preparers, auditors and users of general purpose financial statements will need to consider the substance of the definitions rather than just the terminology in determining whether the requirements of this Standard apply.

External Assistance

- 1.10.3 External assistance is defined in paragraph 1.10.1 as all official resources which the recipient can use or otherwise benefit from in pursuit of its objectives. Official resources as defined in paragraph 1.10.1 does not encompass assistance provided by non-governmental organizations (NGOs), even if such assistance is provided under a binding agreement. Assistance received from NGOs, whether in the form of cash donations or third party settlements, will be presented in the financial statements and disclosed in explanatory notes in accordance with the requirements of Sections 1.1 to 1.9 of Part 1 of this Standard. Paragraph 2.1.64 encourages, but does not require, application of the disclosures required by paragraphs 1.10.1 to 1.10.34 to assistance received from NGO's where practicable.
- 1.10.4 NGOs as defined in paragraph 1.10.1 are foreign or national agencies established independent of control by any government. In some rare cases, it may not be clear whether the donor organization is a bilateral external assistance agency or an NGO, and therefore independent of control by any government. Where such a donor organization provides, or commits to provide, assistance under the terms of a binding agreement, the distinction between official resources as defined in this

Standard and resources provided by an NGO may become blurred. In these cases, professional judgment will need to be exercised to determine whether the assistance received satisfies the definition of external assistance and, therefore, is subject to the disclosure requirements specified in this section.

Official Resources

- 1.10.5 Official resources are defined in paragraph 1.10.1 to be resources committed under a binding agreement by multilateral or bilateral external assistance agencies or governments or government agencies, other than to a recipient of the same nation as the provider of the assistance. Governments as referred to in the definition of official resources may include national, state, provincial or local governments in any nation. Therefore, assistance provided by, for example, a national government or state government agency of one nation to a state or local government of another nation is external assistance as defined in this Standard. However, assistance provided by a national or state government to another level of government within the same nation does not satisfy the definition of official resources.

External Assistance Agreements

- 1.10.6 Governments seeking particular forms of external assistance may participate in formal meetings or rounds of meetings with donor organizations. These may include meetings to discuss the government's macroeconomic plans and its development assistance needs, or bilateral discussions at governmental level regarding trade finance, military assistance, balance of payments and other forms of assistance. They may also include separate meetings to consider the country's emergency assistance needs as those needs arise. Initial discussions may result in statements of intent or pledges which are not binding on the government or the external assistance agency. However, subsequently binding agreements may be set in place to make available assistance loans or grants provided restrictions on access to the funds, if any, are met and agreed conditions or covenants are adhered to by the entity.
- 1.10.7 External assistance agreements may provide for the entity to:

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- (a) Draw down in cash the full proceeds of the loan or grant or a tranche of the loan or grant;
- (b) Seek reimbursement(s) for qualifying payments made by the entity to a third party settling in cash an obligation(s) of the entity, as defined by the loan or grant agreement; or
- (c) Request the external assistance agency to make payments directly to a third party settling in cash an obligation(s) of the recipient entity as defined by the loan or grant agreement, including an obligation of the recipient entity for goods or services provided or to be provided by an NGO.

External assistance agreements may also include the provision of goods or services in-kind to the recipient.

External Assistance Received

1.10.8 The entity should disclose separately on the face of the Statement of Cash Receipts and Payments, total external assistance received in cash during the period.

1.10.9 The entity should disclose separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements, total external assistance paid by third parties during the period to directly settle obligations of the entity or purchase goods and services on behalf of the entity, showing separately:

- (a) Total payments made by third parties which are part of the economic entity to which the reporting entity belongs; and
- (b) Total payments made by third parties which are not part of the economic entity to which the reporting entity belongs.

These disclosures 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.

1.10.10 Where external assistance is received from more than one provider, the significant classes of providers of assistance should be

disclosed separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.

1.10.11 Where external assistance is received in the form of loans and grants, the total amount received during the period as loans and the total amount received as grants should be shown separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.

1.10.12 External assistance may be provided directly to the reporting entity in the form of cash. Alternatively, a third party may provide external assistance by settling an obligation of the reporting entity or purchasing goods and services for the benefit of the reporting entity. In some cases:

- (a) The third party may be part of the economic entity to which the reporting entity belongs – this will occur where, for example, external assistance in the form of cash is provided for the benefit of a program run by a particular department in a jurisdiction where a government manages the expenditure of its individual departments and other entities through a centralized treasury function or a “single account” arrangement. In these cases, the treasury or other central agency receives the external assistance and makes payments of amounts provided by way of external assistance on behalf of the department, after appropriate authorization and documentation from the department; or
- (b) The third party may not be part of the economic entity to which the reporting entity belongs - this will occur where, for example, an aid agency makes a debt repayment to a regional development bank on behalf of a government agency, pays a construction company directly for building a road for a particular government agency rather than providing the funds directly to the government agency itself, or funds the operation of a health or education program of an independent provincial or municipal government by directly paying service providers and acquiring on behalf of the government the necessary supplies during the period.

1.10.13 Disclosure of the amount of external assistance received in the form of cash and in the form of third party payments made on behalf of the

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entity will indicate the extent to which the operations of the reporting entity are funded from taxes and/or internal sources, or are dependent upon external assistance. Consistent with the requirements of paragraph 1.3.24 of this Standard, external assistance paid by third parties should only be disclosed in the statement of Cash Receipts and Payments when the reporting entity has been formally advised that such payments have been made during the reporting period or otherwise verifies their occurrence. Disclosure of the significant classes of external assistance received is also encouraged, but not required (see paragraph 2.1.66).

- 1.10.14 Disclosure of the significant classes of providers of assistance, such as multilateral donors, bilateral donors, international assistance organizations or national assistance organizations will identify the extent of the entity's dependence on particular classes of providers and will be relevant to an assessment of the sustainability of the assistance. This Standard does not require the disclosure of the identity of each provider of assistance or the amount of assistance each provides. However, such disclosure is encouraged (see paragraph 2.1.69).
- 1.10.15 External assistance is often denominated in a currency other than the reporting currency of the entity. Cash receipts, or payments made by third parties on behalf of the entity arising from transactions in a foreign currency, will be recorded or reported in the entity's reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the receipts or payments in accordance with paragraph 1.7.2 of this Standard. Disclosure of the amount provided by each provider in the currency provided is also encouraged (see paragraph 2.1.70).
- 1.10.16 National governments usually retain the exclusive right to enter into external assistance agreements with multilateral or bilateral external assistance agencies. In many of these cases, the project or activity is implemented by another entity. The national government may re-lend or assign the funds received to the other entity. The terms and conditions of the re-lent or assigned funds may be the same as received from the external assistance agency or may be harder or softer than initially received. In some cases, a small fee or interest spread is charged to cover the national government's administrative costs. An entity which enters into an external assistance agreement and passes the

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benefits as well as the terms and conditions of the agreement through to another entity by way of a subsidiary agreement will recognize or report the external assistance as it is received, and record payments to the second entity in accordance with its normal classification of payments adopted in the financial statements.

- 1.10.17 Where the initial recipient of a loan or grant passes the proceeds and the terms and conditions of the loan or grant through to another entity, the initial entity may simply be administering the loan or grant on behalf of the end user. Netting of transactions where the terms and conditions are substantially the same may be appropriate in the financial statements of the administrator, in accordance with the provisions of paragraph 1.3.13 of this Standard.

Undrawn External Assistance

- 1.10.18 **The entity should disclose in the notes to the financial statements the balance of undrawn external assistance loans and grants available at reporting date to fund future operations when, and only when, the amount of the loans or grants available to the recipient is specified in a binding agreement and the satisfaction of any substantial terms and conditions that determine, or affect access to, that amount is highly likely, showing separately in the reporting currency:**

- (a) **Total external assistance loans; and**
- (b) **Total external assistance grants.**

Significant terms and conditions that determine, or affect access to, that amount of the undrawn assistance should also be disclosed.

- 1.10.19 The amount of external assistance currently committed under a binding agreement(s) but not yet drawn may be significant. In some cases, the amount of the assistance loan(s) or grant(s) is specified in a binding agreement and the satisfaction of any substantial conditions that need to be satisfied to access that amount is highly likely. This may occur in respect of undrawn balances of project funding for projects currently under development where conditions have been, and continue to be, satisfied and the project is anticipated to continue under the terms of the agreement. Where such undrawn balances are provided in a foreign currency, opening and closing balances will be determined by applying

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to the foreign currency amount the exchange rate on the reporting dates in accordance with the provisions of paragraph 1.7.3 of this Standard.

- 1.10.20 In some cases, a donor entity may express an intention to provide ongoing assistance to the reporting entity, but not specify in a binding agreement the amount of the assistance loan(s) or grant(s) to be provided in future periods – for example, this may occur where the amount of assistance to be provided is dependent on the annual budget of the donor nation or other sources of funding that may be secured by the recipient. In other cases, the amount of assistance may be specified but be subject to terms and conditions, the satisfaction of which cannot be assessed as being highly likely at the reporting date – for example, this may occur in respect of balance of payment assistance to be provided on achievement of specified performance criteria, or emergency assistance to be provided subject to the amount of assistance provided by other agencies. In these cases, disclosure of the undrawn amounts is not made. In some cases, professional judgment may need to be exercised in assessing whether the satisfaction of the substantial terms and conditions that determine, or effect access to, the external assistance is highly likely.

Receipt of Goods or Services

- 1.10.21 **Where an entity elects to disclose the value of external assistance received in the form of goods or services, it should also disclose in the notes to the financial statements the basis on which that value is determined.**
- 1.10.22 Paragraph 2.1.90 of this Standard encourages an entity to disclose separately in the notes to the financial statements, the value of external assistance received in the form of goods or services. Paragraph 1.3.38 of this Standard explains that where encouraged disclosures are included in notes to the financial statements, they will need to be understandable and to satisfy the other qualitative characteristics of financial information. Where an entity elects to make such disclosures, it is required to disclose in the notes to the financial statements the basis on which that value is determined. Such disclosure will enable users to assess whether, for example, the value is determined by reference to donor valuation, fair value determined by reference to

prices in the world or domestic markets, by management assessment or on another basis.

Disclosure of Debt Rescheduled or Cancelled

- 1.10.23 An entity should disclose in the notes to the financial statements the amount of external assistance debt rescheduled or cancelled during the period, together with any related terms and conditions.**
- 1.10.24 An entity experiencing difficulty in servicing its external assistance debt may seek renegotiation of the terms and conditions of the debt or cancellation of the debt. Disclosure of the amount of external assistance debt rescheduled or cancelled, together with any related terms and conditions, will alert users of the financial statements that such renegotiation or cancellation has occurred. This will provide useful input to assessments of financial condition of the entity and changes therein.

Disclosure of Non Compliance with Significant Terms and Conditions

- 1.10.25 An entity should disclose in notes to the financial statements, significant terms and conditions of external assistance loan or grant agreements or guarantees that have not been complied with during the period when non compliance resulted in cancellation of the assistance or has given rise to an obligation to return assistance previously provided. The amount of external assistance cancelled or to be returned should also be disclosed.**
- 1.10.26 External assistance agreements will usually include terms and conditions that must be complied with for ongoing access to assistance funds, as well as some procedural terms and conditions.
- 1.10.27 The disclosures required by paragraph 1.10.25 will enable readers to identify the instances of non compliance that have adversely affected the funds that are available to support the entity's future operations. It will also provide input to assessments of whether re-establishment of compliance with the agreement may occur in the future. Disclosure of non compliance with significant terms and conditions in other cases is also encouraged, but not required (see paragraph 2.1.82).

Effective Date of Section 1.10 and Transitional Provisions

- 1.10.28** Paragraphs 1.10.1 to 1.10.34 of this International Public Sector Accounting Standard become effective for annual financial statements covering periods beginning on or after 1 January 200X (2009 is proposed if the IPSAS is issued in December 2007).
- 1.10.29** Entities are not required to disclose comparative figures for amounts disclosed in accordance with paragraphs 1.10.1 to 1.10.27 in the first year of application of paragraphs 1.10.1 to 1.10.27 of this Standard.
- 1.10.30** Entities are not required to disclose separately in the notes to the financial statements the balance of undrawn external assistance as specified in paragraph 1.10.18 for a period of two years from the date of first application of this Standard.
- 1.10.31** When an entity applies the transitional provisions in paragraph 1.10.29 and 1.10.30, it should disclose that it has done so.
- 1.10.32** In the first year of application of the requirements of paragraphs 1.10.1 to 1.10.27 of this Standard, an entity may not have readily available, or reasonable access to, the information necessary to enable it to satisfy the requirement to disclose comparative information. It may also not have the information necessary to enable it to disclose the closing balance of undrawn external assistance as required by paragraph 1.10.30.
- 1.10.33** Paragraph 1.4.16 of this Standard provides relief from the requirement to disclose comparative information for the previous period on initial application of the Standard. Some entities may have adopted the Cash Basis IPSAS prior to its amendment to include the requirements relating to disclosure of information by recipients of external assistance as specified in paragraphs 1.10.1 to 1.10.27. Paragraph 1.10.29 provides relief from the requirement to disclose comparative information about external assistance as specified in 1.10.1 to 1.10.27 in this Standard in the first year of application of those paragraphs. Paragraph 1.10.30 provides relief from the requirements to apply paragraph 1.10.18 for a period of two years from initial application of that paragraph..

- 1.10.34 To ensure users are informed of the extent to which the requirements of this Standard have been complied with, paragraph 1.10.31 requires that entities that make use of these transitional provisions disclose that they have done so.

4. Amendments to Appendix 1 to reflect the requirements of the new Section 10

(Staff Note: Mark-ups identify amendments to the Cash Basis IPSAS. These mark-ups reflect the proposals in ED 32 amended where necessary to fit with the Cash basis IPSAS.)

APPENDIX 1: Illustration of the Requirements of Part 1 of the Standard

The following amendments are proposed to “Appendix 1: Illustration of the requirements of Part 1 of the Standard” (proposed amendments are marked-up).

This Appendix is illustrative only and does not form part of the Standard. It illustrates an extract of a Statement of Receipts and Payments and relevant note disclosures for a government that has received external assistance loans and grants during the current and preceding periods. Its purpose is to assist in clarifying the meaning of the standards by illustrating their application in the preparation and presentation of general purpose financial statements under the cash basis of accounting for a:

- (a) Government which is a recipient of external assistance;*
- (b) Governmental Entity which controls its own bank account, and is not a recipient of external assistance; and*
- (c) Governmental Department which operates under a “single account” system such that a central entity administers cash receipts and payment on behalf of the Department, and is not a recipient of external assistance.*

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
DISCLOSURE REQUIREMENTS FOR RECIPIENTS OF EXTERNAL ASSISTANCE

Consolidated financial statements For Government A

**CONSOLIDATED STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR YEAR
ENDED 31 DECEMBER 200X (RECEIPTS ONLY)**

	Note	2000X		200X-1	
(in thousands of currency units)		Receipts/ (Payments) controlled by entity	Payments by third parties	Receipts/ (Payments) controlled by entity	Payments by third parties
RECEIPTS					
Taxation					
Income tax		X	-	X	-
Value-added tax		X	-	X	-
Property tax		X	-	X	-
Other taxes		X	-	X	-
		X	-	X	-
External Assistance	10				
Multilateral Agencies		X	X	X	X
Bilateral Agencies		X	X	X	X
		X	X	X	X
Other Grants and Aid		X	X	X	X
Other Borrowings					
Proceeds from borrowing	3	X	X		
Capital Receipts					
Proceeds from disposal of plant and equipment		X	-	X	-
Trading Activities					
Receipts from trading activities		X	-	X	-
Other receipts	4	X	X	X	X
Total receipts		X	X	X	X

(Note: No amendments are proposed to the illustration of "Payments" in the Statement of Cash Receipts and Payments in Appendix I(a))

(STAFF NOTE: The following identifies amendments to Note 6 in the existing Cash Basis IPSAS to reflect the addition of disclosure requirements for external assistance.)

6. Undrawn Borrowing Facilities - Other than Undrawn External Assistance

	(in thousands of currency units)	200X	200X-1
Movement in Undrawn Borrowing Facilities			
Undrawn borrowing facilities at 1.1.0X		X	X
Additional loan facility		X	X
Total available		<u>X</u>	<u>X</u>
Amount drawn		(X)	(X)
Facility closure/cancellations		<u>(X)</u>	<u>(X)</u>
Undrawn borrowing facilities at 31.12.0X.		<u><u>X</u></u>	<u><u>X</u></u>

	(in thousands of currency units)	200X	200X-1
Undrawn Borrowing Facilities			
Commercial Financial Institutions		<u>X</u>	<u>X</u>
Total undrawn borrowing facilities		<u><u>X</u></u>	<u><u>X</u></u>

Note 10: External Assistance:

Payments by Third Parties All payments made by third parties are made by third parties which are not part of the economic entity.

External Assistance

External assistance was received in the form of loans and grants from Multilateral and Bilateral Donor Agencies under agreements specifying the purposes for which the assistance will be utilized. The following amounts are presented in the reporting currency of the entity.

	<u>200X</u>	<u>200X-1</u>
	<u>Total</u>	<u>Total</u>
<u>Loan Funds</u>		
Multilateral Agencies	X	X
Bilateral Agencies	X	X
Total	<u>X</u>	<u>X</u>
<u>Grant Funds</u>		
Multilateral Agencies	X	X
Bilateral Agencies	X	X
Total	<u>X</u>	<u>X</u>
Total External Assistance	<u>X</u>	<u>X</u>

Non Compliance with significant terms and conditions and rescheduled and cancelled debt

There have been no instances of non compliance with terms and conditions which have resulted in cancellation of external assistance loans.

External assistance grants of X domestic currency units were cancelled during the reporting period. The cancellation resulted from over estimation of the cost of specified development projects and consequentially expenditure of an amount less than that committed for the period by the donor.

Undrawn External Assistance

Undrawn external assistance loans and grants at reporting date are amounts specified in a binding agreement which relate to funding for projects currently under development, where conditions have been satisfied, and their ongoing satisfaction is highly likely, and the project is anticipated to continue to completion

	Loans 200X	Grants 200X	Loans 200X-1	Grants 200X-1
Closing balance in reporting currency	X	X	X	X
Closing balance by currency held				
US Dollar	-	X	X	X
Euro	X	X	X	X
Yen	X	X	X	X
Other	X	X	X	X

The significant terms and conditions that determine or affect access to the amount of undrawn assistance relate to the achievement of the following specified construction targets for development of medical and education infrastructure: (*Outline significant construction targets.*)

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING —
ENCOURAGED ADDITIONAL DISCLOSURES

PART 2: Encouraged Additional Disclosures

This part of the Standard is not mandatory. It sets out encouraged additional disclosures for reporting under the cash basis. It should be read together with Part 1 of this Standard, which sets out the requirements for reporting under the cash basis of accounting. The encouraged disclosures, which have been set in italic, should be read in the context of the commentary paragraphs in this part of the Standard, which are in plain type.

5. Amendment to current paragraphs 2.1.25 and 2.1.30 to note the addition of encouraged disclosures about external assistance.

- 2.1.25 Cash payment items and payments by third parties may be further sub-classified in order to enhance accountability by identifying the major purposes for which the payments are made. They may also be sub classified in order to highlight the costs and cost recoveries of particular programs, activities or other relevant segments of the reporting entity. An entity is encouraged to present this information in at least one of the following two ways.
- 2.1.30 Paragraph 1.3.12 of Part 1 of this Standard requires the disclosure of 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. The sub-classification of cash receipts into appropriate classes will depend upon the size, nature and function of the amounts involved. In addition to disclosure of the amount of receipts from external assistance and borrowings, the following sub-classifications may be appropriate:
- (a) receipts from taxation (these may be further sub-classified into types of taxes);
 - (b) receipts from fees, fines, penalties and licenses;
 - (c) receipts from exchange transactions including receipts from the sale of goods and services and user charges (where these are classified as exchange transactions);
 - (d) the purposes for which external assistance grants and loans are provided, the providers of that assistance and the amount provided;
 - (e) receipts from additional grants, transfers, or budget appropriations (possibly classified by source and purpose);
 - (f) receipts from interest and dividends; and
 - (g) receipts from gifts and donations.

Financial Reporting under the Cash Basis of Accounting**6. Addition of paragraphs 2.1.64- 2.1.95 to Part 2 of the Cash Basis IPSAS****Assistance Received From Non-Governmental Organizations (NGOs)**

- 2.1.64 *Where practicable, an entity is encouraged to apply to assistance received from non-governmental organizations (NGOs), the required disclosures identified in paragraphs 1.10.1 to 1.10.27 of Part 1 of this Standard and the encouraged disclosures identified in paragraphs 2.1.66 to 2.1.93 below.*
- 2.1.65 Reporting entities are not required to make the disclosures identified in paragraphs 1.10.1 to 1.10.27 in respect of assistance received from non-governmental organizations (NGOs). This is because the costs of collecting and aggregating the information necessary to comply with those requirements may be greater than its benefits. However, making the disclosures about assistance received from NGO's which are identified in paragraphs 1.10.1 to 1.10.27, together with the disclosures encouraged in paragraphs 2.1.66 to 2.1.93 below, can provide additional input to assessments of the extent to which the reporting entity is dependent on assistance from these organizations to support its activities. Accordingly, reporting entities are encouraged to apply the disclosures identified in this Standard to assistance received from NGO's, where it is practicable to do so.

Recipients of External Assistance

- 2.1.66 *An entity is encouraged to disclose by significant class in notes to the financial statements:*
- (a) *the purposes for which external assistance was received during the reporting period, showing separately amounts provided by way of loans and grants; and*
 - (b) *the purposes for which external assistance payments were made during the reporting period.*
- 2.1.67 An entity may receive external assistance for many purposes including assistance to support its:

- (a) Economic development or welfare objectives, often termed development assistance;
 - (b) Emergency relief objectives, often termed emergency assistance;
 - (c) Balance of payments position or to defend its currency exchange rate, often termed balance of payments assistance;
 - (d) Military and/or defense objectives, often termed military assistance; and
 - (e) Trading activities, including export credits or loans offered by export/import banks or other government agencies, often termed trade finance.
- 2.1.68 Part 1 of this Standard requires disclosure of the total amount of external assistance received during the reporting period showing separately the total amount received by way of grants and loans. Disclosure of the significant classes of external assistance received by way of loan or grant, will enable users to determine the purposes for which assistance was provided during the period, the amounts thereof and whether the entity has an obligation to repay the assistance provided at some time in the future.
- 2.1.69 Disclosure by significant class of the purposes for which external assistance payments were made during the reporting period will further enhance the entity's accountability for its use of external assistance received.
- 2.1.70 *An entity is encouraged to identify in notes to the financial statements each provider of external assistance during the reporting period and the amount provided, excluding any undrawn amounts, showing separately amounts provided by way of loans and grants in the currency provided.*
- 2.1.71 Disclosure of each provider of external assistance and the amount provided by way of loan and grant will indicate the extent of diversification of sources of assistance. This will assist readers of the financial statements to determine, for example, whether the entity is dependent on particular agencies for assistance, the extent of that dependency and the currency in which it was provided, and whether the assistance is provided by way of a grant or a loan which will need to be repaid in the future. The disclosure encouraged by this paragraph

excludes amounts that have not been drawn down during the period. Paragraph 2.1.72 encourages disclosure of information about undrawn amounts of external assistance in certain circumstances.

2.1.72 *In respect of external assistance that is undrawn at reporting date and is disclosed in accordance with paragraph 1.10.18 of Part 1 of this Standard, an entity is encouraged to disclose in notes to the financial statements:*

- (a) Each provider of loan assistance and grant assistance and the amount provided by each;*
- (b) The purposes for which the undrawn loan assistance and undrawn grant assistance may be used;*
- (c) The currency in which the undrawn assistance is held or will be made available; and*
- (d) Changes in the amount of undrawn loan assistance and undrawn grant assistance during the period.*

2.1.73 Undrawn external assistance balances are required to be disclosed in certain circumstances by paragraph 1.10.18 of Part 1 of this Standard. The disclosures encouraged by paragraph 2.1.72 will enable readers of the financial statements to determine the purposes for which such undrawn assistance may be used in the future, the currency in which that undrawn assistance is held or will be made available, and whether the amount of undrawn loan and grant assistance declined or increased during the period.

2.1.74 As is appropriate for the reporting entity, the disclosures could usefully identify such matters as the opening balance of undrawn loans and grants, the amount of new loans and new grants approved or otherwise made available during the period, the total amount of loans and grants drawn or utilized during the period, the total amounts of loans and grants cancelled or expired during the period, and the closing balance of undrawn loans and grants. Such disclosures will assist users in identifying not only the amount of the change in undrawn balances, but also the components of that change.

2.1.75 Where disclosures of changes in the amount of undrawn assistance are made in the entity's reporting currency, external assistance denominated in a foreign currency will be reported in the entity's reporting currency by applying to the foreign currency amount the

exchange rate on the date of each applicable transaction, consistent with the requirements of Part 1 of this Standard.

- 2.1.76 *An entity is encouraged to disclose in notes to the financial statements the terms and conditions of external assistance agreements that determine or effect access to, or limit the use of, external assistance.*
- 2.1.77 Some external assistance agreements limit or specifically define the use or purpose for which the external assistance may be used, or limit the sources from which goods or services may be purchased. This type of external assistance term or condition may specify that the funds are available only to purchase specific inputs for the construction of specified facilities at a specified location, or that the goods or services purchased under the external assistance agreement must originate from a specified country or countries.
- 2.1.78 Some external assistance may be released on specific dates, or may be released upon the entity:
- (a) Undertaking actions specified in an external assistance agreement, such as implementing specific policy changes; or
 - (b) Achieving ongoing performance targets, such as budget deficit targets or other broad economic objectives, or establishing a financial sector asset recovery or management agency.
- 2.1.79 Disclosure of terms and conditions that determine or affect access to external assistance will indicate the extent to which external assistance is time bound and/or is dependent upon the entity taking certain actions and achieving certain performance objectives, and what those actions and performance objectives are.
- 2.1.80 *An entity is encouraged to disclose in notes to the financial statements:*
- (a) *The outstanding balance of any loans for which performance has been guaranteed by third parties, any terms and conditions related to those loans, and any additional terms and conditions arising from the guarantee; and*
 - (b) *The amount and terms and conditions of grants that have been guaranteed by a third party or parties, and any additional terms and conditions arising from the guarantee.*
- 2.1.81 External assistance may consist of, or include, a guarantee of the balance of a loan borrowed by an entity and payment of interest

thereon, in total or up to a specified amount. It may also include a guarantee of performance of some action under the loan, such as setting tariffs according to an agreed formula. Grants may also be subject to terms and conditions which are guaranteed by third parties.

- 2.1.82 Disclosure of the amounts of loans and grants guaranteed by third parties will indicate the extent of support from another entity to obtain the benefits of the external assistance agreement. Disclosure of the terms and conditions of loans and grants that have been guaranteed and any additional terms and conditions imposed to effect that guarantee will indicate the additional performance requirements or conditions that arise as a consequence of securing the guarantee.
- 2.1.83 *An entity is encouraged to disclose in notes to the financial statements other significant terms and conditions associated with external assistance loans, grants or guarantees that have not been complied with, together with the consequence of the non compliance.*
- 2.1.84 Paragraph 1.10.25 of Part 1 of this Standard requires the disclosure of significant terms and conditions that have not been complied with when non compliance has resulted in cancellation of the assistance or given rise to an obligation to return assistance previously provided. External assistance agreements may also include other significant terms and conditions that are to be complied with, as well as some procedural terms and conditions. Consequences of non compliance with these other significant terms and conditions may include a reduction in the amount, or variation in the timing, of funds that may be drawn or made available in the future until the default is corrected or an increase in the interest rate charged on loan funds.
- 2.1.85 Identifying these other significant terms and conditions which have not been complied with is likely to require professional judgment. That judgment will be exercised in the context of the entity's particular circumstances and by reference to the qualitative characteristics of financial statements. These terms and conditions are likely to be those where non compliance
- is likely to affect the amount or timing of funds that will be available to support the entity's future operations.
- 2.1.86 *An entity is encouraged to disclose in the notes to the financial statements, a summary of the repayment terms and conditions of*

outstanding external assistance debt. Where disclosures of future debt service payments denominated in a foreign currency are made, the entity is encouraged to report them in the entity's reporting currency by applying to the foreign currency amount of those payments the closing rate.

- 2.1.87 External assistance debt agreements will include terms and conditions relating to such matters as the grace period, interest rate, current debt service payments, future debt service payments, remaining term of the loan, currency of debt service payments, principal repayment requirements (where repayment of the principal is deferred until the end of the loan term, or some other future date), and other significant repayment terms.
- 2.1.88 Debt service payments may be a significant cash outlay for the entity and will impact on cash available to fund current and additional operations. Disclosure of repayment terms and conditions of outstanding external assistance debt will enable readers of the financial statements to determine when debt service payments (principal and interest or service charges) will commence, and the amount of principal and interest or service charge payable.
- 2.1.89 Disclosure of information about repayment terms and conditions may require the estimation of, for example, the interest rate to be applied to variable rate debt. The estimated interest rate will usually be determined by reference to applicable interest rates at the closing date. In accordance with the requirements of paragraph 1.3.30 to 1.3.37 of Part 1 of this Standard, when an entity elects to make disclosures which involve estimates, accounting policies selected and applied in developing such estimates will be disclosed where necessary for a proper understanding of the financial statements.
- 2.1.90 *An entity is encouraged to disclose separately in the notes to the financial statements the value of external assistance received in the form of goods or services.*
- 2.1.91 Significant resources may be received under external assistance agreements in the form of goods or services. This will occur when new or used goods such as vehicles, computers or other equipment are transferred to the entity under an external assistance agreement. It will also occur when food aid is provided to a government for distribution to its citizens under an external assistance agreement. For some

recipients, goods or services may be the major form in which external assistance is received.

- 2.1.92 Disclosure of the value of external assistance received as goods and services will assist readers of the financial statements to better understand the full extent of external assistance received during the reporting period. However, in some cases and for some recipients, determining the value of such goods and services can be a difficult, time consuming and costly process. This is particularly so where a domestic market price for those goods and services cannot be readily determined, where the goods and services provided are not widely traded in international markets or where they are of an unique nature, such as often occurs in respect of emergency assistance.
- 2.1.93 This Standard does not specify the basis on which the value of the goods or services is to be determined. Therefore, their value may be determined as the depreciated historical cost of physical assets at the time the assets are transferred to the recipient or the price paid for the food by the external assistance agency. It may also be determined on the basis of an assessment of the value by management of the transferor, or the recipient, or by a third party. Where the value of external assistance in the form of goods or services is disclosed, paragraph 1.10.21 of Part 1 of this Standard requires the disclosure of the basis on which that value is determined. Where such is described as fair value it will conform with the definition of fair value, being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

7. Amendments to Appendix 2

(Staff Note: The following illustrative disclosures are additional to those already included in Appendix 2 of the Cash Basis IPSAS.

The following amendments to the existing Appendix 2 are also necessary: update terminology adopted in budget comparisons to reflect addition of section on external assistance.

Appendix 3, 4 and 5 of the Cash Basis IPSAS remain unchanged.)

APPENDIX 2: Illustration of Certain Disclosures Encouraged in Part 2 of the Standard

This appendix is illustrative only. The purpose of the appendix is to illustrate the application of the encouragements and to assist in clarifying their meaning.

Extract From Notes to the Financial Statements
Assistance Provided by Non-Governmental Organizations (NGO's)
(Paragraph 2.1.64)

Assistance from NGO's is included in the amount of "Other Grants and Aid" in the Statement of Cash Receipts and Payments. The amount of assistance from NGO's received during the reporting period in the reporting currency is:

	200X		200X-1	
	Cash Receipts	Payments by third parties	Cash Receipts	Payments by third parties
Grant Funds	X	X	X	-
Loan Funds	-	-	-	-
Total	X	X	X	-

External assistance was received from NGO's under agreements specifying that the assistance would be utilized for the following purposes:

	Development Assistance		Emergency Assistance		Other		Total	
	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
NGO 1	X	X	-	-	-	X	X	X
NGO 2	-	-	X	-	-	-	X	-
NGO 3	X	X	X	-	-	-	X	X
Total	X	X	X	-	-	X	X	X
USD	X	X	X	X	-	X	X	X
Euro	X	X	X	-	-	-	X	-
Yen	-	-	X	X	-	-	X	X

The currency in which external assistance was provided was as follows:

- NGO 1 - US Dollars to the amount of YYY and other currency being (specify currency) to the amount of X
- NGO 2 – Euros to the amount of YYY
- NGO 3 – Yen to the amount of YYY

The assistance was fully used for the purposes specified.

While NGO 1, 2 and 3 have indicated their intention to provide ongoing emergency assistance as the need arises and their resources allow, the extent of the assistance is not subject to binding written agreements. It will be determined on the basis of an assessment of needs and the capacity of each NGO to provide ongoing assistance.

During 200X, NGO 1 provided medical teams and medical equipment in support of earthquake victims in the ZZZ Region. Temporary shelter, food and clothing were also supplied by NGO 2. The value of the goods and services received has been estimated at XX domestic currency units. The value of the specialized emergency assistance provided has been determined based on cost estimates provided by the NGO's involved.

There have been no instances of non compliance with terms and conditions which have resulted in cancellation of assistance grants.

There were no amounts of undrawn assistance from NGO's in 200X or 200X-1

FINANCIAL REPORTING UNDER THE CASH BASIS OF ACCOUNTING — ENCOURAGED ADDITIONAL DISCLOSURES

Classes of External Assistance (*Paragraph 2.1.66 and 2.1.70*)

During the reporting period external assistance was received from Multilateral and Bilateral External Assistance Agencies under agreements specifying that the assistance would be utilized for the following purposes:

	Development Assistance		Emergency Assistance		Trade Finance		Other	
	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
Loan Funds	X	X	-	-	X	-	X	-
Grant Funds	X	-	X	X	-	-	X	X
Total	X	X	X	X	X	-	X	X
Amount utilized	X	X	X	X	X	X	X	X

	Agency 1		Agency 2		Agency 3		Agency 4	
	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
Loan Funds	X	X	-	-	X	-	X	X
Grant Funds	X	-	X	X	-	X	X	X
Total	X	X	X	X	X	X	X	X
Currency: US Dollar	X	X	-	-	-	-	-	-
Euro	-	-	X	X	-	-	-	-
Yen	-	-	-	-	X	X	-	-
Other	-	-	-	-	-	-	X	X

Undrawn External Assistance (*Paragraph 2.1.72*)

Undrawn external assistance loans and grants consist of amounts which have been specified in a binding agreement with external assistance agencies, that have not been utilized at reporting date and are subject to terms and conditions that have been satisfied in the past and it is anticipated will be satisfied in the future. External assistance loans cancelled or expired resulted from overestimation of the cost of development projects. Changes in the amount of undrawn assistance loans and grants is presented in the entity's reporting currency.

Opening balance	Development Assistance		Emergency Assistance		Other		Total	
	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
Loans	X	X	-	-	X	X	X	X
Grants	X	X	-	X	-	-	X	X
Approved in period								
Loans	X	X	-	-	X	-	X	X
Grants	X	X	X	X	X	X	X	X
Total available	X	X	X	X	X	X	X	X
Loans drawn down	X	X	-		X	X	X	-
Grants drawn down	X	X	X	X	-	-	X	X
Loans cancelled/expired	(X)	(X)	-	-	-	-	(X)	(X)
Grants cancelled/expired	-	-	-	-	-	-	-	-
Exchange difference	X	X	-	-	X	X	X	X
Closing balance	X	X	-	-	X	X	X	X

Closing balance	Development Assistance		Emergency Assistance		Other		Total	
By currency held	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>	<u>200X</u>	<u>200X-1</u>
US Dollar	X	X	-	X	X	X	X	X
Euro	X	X	-	X	X	X	X	X
Yen	X	X	-	-	X	X	X	X
Other	X	X	-	-	-	-	X	-
- by reporting currency								
Loans								
Agency1	X	X	-	-	X	X	X	X
Agency4	X	X	-	-	X	X	X	X
Grants								
Agency2	X	X	-	X	X	X	X	X
Agency4	X	X	-	X	X	X	X	X
Total	X	X	-	X	X	X	X	X

Significant terms and conditions (*Paragraph 2.1.76*)**General Restrictions**

The balance of commitments for, and undrawn balances of, external assistance is subject to, or restricted by, performance of agreed actions or the maintenance of agreed economic or financial performance levels.

The Government has prepared an economic development plan for receipt of development assistance. The plan includes a poverty reduction strategy which is supported by the donor community. The Government and the donors have agreed the following major targets within the poverty reduction strategy: ...(insert major targets). The Government and the donor community have agreed on methods to monitor progress to achieve the agreed targets and will meet annually to review progress.

Loans and grants to support specific projects include financial performance targets for all electricity and water utilities to ensure adequate revenue to cover the cost of providing services, to properly maintain existing utility assets and to contribute to a program of asset replacement and renewal.

Procurement Restrictions

Certain development assistance received is subject to restrictions in regards to the nature of goods or services that may be purchased or the country in which the goods or services may be purchased. All multilateral development bank loans or grants are restricted in that (a) they prohibit the use of their funds for the purchase of military goods or services, luxury goods or environmentally damaging goods and (b) the purchase of goods or services must be from their respective member countries. Bilateral Agencies are either unrestricted or limit purchases of goods or services to the country providing the funds. All "Specific Purpose Loans or Grants" fund specifically defined projects and as such the procurement of goods and services is restricted to the agreed inputs for each project.

Non Compliance with other significant terms and conditions (*Paragraph 2.1.83*)

The Government's expenditures in the education sector did not meet the target level primarily due to construction delays caused by an earthquake. Expenditures were one percent below the target. Steps have been taken to correct the under investment in the education sector and the Government and the relevant donors support the corrective actions planned. The Government has

complied with all procurement regulations applicable under all outstanding external assistance loans and grants.

Guarantees (Paragraph 2.1.80)

The Government of YYYY has guaranteed an outstanding commercial export financing loan in the amount of currency units XXX (200X-1: Nil). The principle is to be repaid in 5 years. The interest rate applicable to the outstanding balance is Y%. Annual, interest only service payments are to be made. No additional terms or conditions arise from the guarantee.

Repayment Terms and Conditions - Debt Service Obligations (Paragraph 2.1.86)

The terms of development assistance loans include grace periods which range from X to Y years. Interest rates include both fixed rates and variable rates. Development assistance loans are denominated in X and Y currency units. Interest rates on fixed rate loans, as of fiscal year ending 200X range from X percent to Y percent with a weighted average of Z percent. For the fiscal year ending 200X-1, they range from X percent to Y percent with a weighted average of Z percent. Interest rates on variable rate loans range from LIBOR plus X percent to LIBOR plus Y percent with a weighted average at the end of fiscal year 200X of Z percent and at the end of fiscal year 200X-1 of ZZ percent. Some development assistance credits include a grace period of ten years and are interest free but a service charge of X percent applies.

Other External Assistance loans do not include a grace period, and are denominated in X and Y currency units.

<u>200X</u>				
Outstanding Debt by Remaining Grace Period Years				
	Expired	0 – 4	5 – 7	Total
Development Assistance	X	X	X	X
Other	X	-	-	X
Total	X	X	X	X

<u>200X-1</u>				
Outstanding Debt by Remaining Grace Period Years				
	Expired	0 – 4	5 – 7	Total
Development Assistance	X	X	X	X

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Other	X	-	-	X
Total	X	X	X	X

Development Assistance loans have repayment periods varying from X years to Y years subsequent to the grace period with a weighted average for outstanding debt of Z years including the grace period. In all cases, the debt service is based on a fixed payment of principal plus interest accrued.

Other Assistance loans have repayment periods varying from X to Y years with a weighted average of Z years. Debt service is based on a fixed payment of principal plus interest accrued.

200X

Debt Service Payments Including Interest

	US Dollar	Euro	Yen	Other	Total
Development Assistance	X	X	X	X	X
Other	X	X	-	-	X
Total	X	X	X	X	X

200X-1

Debt Service Payments Including Interest

	US Dollar	Euro	Yen	Other	Total
Development Assistance	X	X	X	X	X
Other	X	X	-	-	X
Total	X	X	X	X	X

All debt service payments for subsequent years are based on a fixed payment of principal plus accrued interest. Interest payments or service charges are based on the outstanding principal of each loan or credit at the end of the current year, and for variable interest rate loans, at interest rates prevailing at that date. Debt service payments denominated in foreign currency have been determined by applying the closing rate of exchange on the reporting date of the financial statements.

200X + 1 and Subsequent Years**Debt Service Payments Including Interest**

	US				
	Dollar	Euro	Yen	Other	Total
Development Assistance	X	X	X	X	X
Other	X	X	-	-	X
Total	X	X	X	X	X

Receipt of Goods and Services (*Paragraph 2.1.90 and 1.10.21*)

During 200X, a severe earthquake occurred in the ZZZ Region inflicting serious damage to government property and private property, and significant loss of life. Multilateral agencies and bilateral agencies of several nations donated specialized professionals and equipment to assist in locating and rescuing individuals trapped in the rubble. In addition, specialized medical teams trained in trauma treatment together with medical equipment, were flown into the region. Temporary shelter and food were also supplied. The value of goods and services received has been estimated at XX domestic currency units. The value of those specialized emergency assistance provided has been determined based on cost estimates provided by the bilateral aid agencies involved because local prices for equivalent goods or services were not available.

Fifty thousand tons of rice was received as food aid during the year. It has been valued at XX domestic currency units which represents the wholesale price of similar rice in domestic wholesale markets.

Goods and services received during the year have not been recorded in the Statement of Cash Receipts and Payments, which reflects only cash received (directly or indirectly) or paid by the Government. Goods and services-in-kind were received as part of the emergency assistance and are reflected in this note.

Project History
Cash Basis IPSAS- Disclosure by Recipients of External Assistance
(Last updated May 2007)

Nov 2002	Correspondence from the OECD-DAC (Richard Manning) and the Multi lateral Development Banks Financial Management Harmonization Group (Fayezul Choudhury).
Dec 2003	Project Advisory Panel (PAP) established.
Jan 2004	Key Decisions Questionnaire (KDQ) Issued to the PAP.
March 2004	PSC Meeting. Consultant and PAP Chair in attendance. Initial Draft Exposure Draft (ED) based on KDQ with scope defined as “Accounting for Development Assistance” discussed in principle by PSC and guidance provided by PSC. Draft ED circulated to the PAP for comment.
April - June 2004	Consultant liaises extensively with PAP members and other key constituents regarding scope of ED and key definitions. Consultant and PAP Chair meet to analyze responses from PAP.
July 2004	PSC Meeting. Consultant and PAP Chair in attendance. Second Draft ED with scope widened and defined as “Accounting for Development and Humanitarian Assistance” discussed by PSC. PSC noted widening of scope based on comments received from PAP. PSC also noted subsequent proposal from OECD –DAC to expand the scope of the ED to “Accounting for External Assistance”. PSC indicated preliminary agreement with revised scope, subject to comment from PAP. Consultant met with the PAP through the OECD Joint Venture – Public Financial Management Committee Meeting (OECD-JVPFM). Made presentation on the draft ED and discussions at July PSC meeting. PAP agreed on expansion of the scope from “Accounting or Development and Humanitarian Assistance” to “Accounting for External Assistance”.
Aug - Oct 2004	Consultant continues to liaise extensively with PAP members and other key constituents regarding scope of ED, key definitions and major requirements. Consultant redrafts ED and discusses revised versions with PSC Technical director. Consultant meets with PSC Technical Director for detailed review of revised draft prior to distribution to PSC for November PSC meeting.
Oct 2004	Third Draft ED with scope defined as “Disclosure by Recipients of External Assistance” submitted to PSC for their consideration. Also provided to OECD-JVPFM for their consideration. Consultant and PSC Chair or nominee invited to present to OECD-JVPFM to provide update on ED, and launch ED if approved by PSC.

- Nov 2004 ED agreed for issue by IPSASB (formerly PSC) subject to processing of final amendments and approval by subcommittee and chair.
- Consultant and IPSASB Chair present to OECD – DAC, noting the ED has been approved for issue in early 2005, subject to final review, and advising that ED will be publicly available from IFAC website. OECD-DAC agrees to instigate field test of ED amongst some member countries.
- Dec 04 - Jan 05 ED amended and approved for issue by subcommittee. Additional question added to respond to concern of some OECD-DAC members that disclosure requirements too onerous.
- Feb 2005 ED 24 “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” issued with a comment period until 15 June 2005. ED 24 loaded on IFAC website. PAP and OECD-DAC advised of issue with request to field test. Hard copies printed and distributed widely.
- July 2005 IPSASB commences consideration of the 27 responses to ED 24. Agrees that additional field testing should occur prior to moving to a final IPSAS.
- Aug - Nov 2005 Chair and staff develop letter for members to use in communicating with relevant organizations, including donors and recipients, in their jurisdiction to seek additional input and support for field testing. Chair writes to OECD-DAC re their commitment to support field testing. Members and staff encourage additional input at seminars/presentations.
- Nov - Dec 2005
IPSASB meeting Members note additional responses (3) and field test potentials that appear in train. Discuss ED 24 extensively with Consultative Group members and agree to provide time for current initiatives to work through. Agree to reactivate project with review of comments and consideration of strategy for moving forward at next IPSASB meeting in March 2006.
- Staff attend a meeting of regional managers of the Multilateral Development Banks to provide an update on progress. Meeting notes that funding support was provided for this project and that support remains for an IPSAS on this topic (or for updating the Cash Basis IPSAS).
- Feb 2006 IPSASB Chair presents to OECD-DAC-JV. Notes that OECD-DAC-JV work program includes field testing of proposed IPSAS.
- March 2006 IPSASB meeting in Tokyo. IPSASB agrees to restructure ED 24 into required and mandatory sections as per the Cash Basis IPSAS, to issue a new ED and to continue to pursue field testing of the new ED. Staff directed to prepare draft ED proposing amendments to the cash basis (as an alternative to a separate IPSAS) for consideration at the next meeting in Paris in July 2006.

- April 2006 Director of ESAAG advises staff that Namibia is prepared to field test ED 24 or a subsequent ED. Staff respond and provide update on IPSASB deliberations and plans and input on potential field test methodologies and approaches. Namibia agrees that the revised ED on external assistance should be field tested.
- May - June 2006 Staff prepare draft ED reflecting Cash Basis IPSAS approach: basic required disclosures and additional encouraged disclosures. Revised draft ED distributed to IPSASB members for consideration at July IPSASB meeting. Revised draft also provided to OECD-DAC-J.V. for review and comment prior to IPSASB meeting.
- July 2006 IPSASB Chair invited to present to OECD-DAC J.V. meeting prior to IPSASB meeting. IPSASB Chair accepts invitation. OECD-DAC JV Chair attends IPSASB meeting in Paris and notes OECD-DC-JV support for draft ED. Identifies proposals for amendment to move certain encouraged disclosures to required disclosures. IPSASB responds positively.
- OECD-DAC-JV Chair also confirms JV members will field test ED when finalized.
- IPSASB reviews draft ED and approves it for issue subject to amendment as identified at the meeting and final approval by Chair.
- IPSASB agrees to field testing ED by OECD-DAC-JV members and ESAAG members.
- Aug - Oct 2006 Draft ED revised as directed. Approved for issue by Chair.
- November 2006 ED 32, “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” issued in November 2006 for comment by March 31, 2007.
- Nov - Dec 2006 Staff follow up with ESAAG and with OECD-DAC-JV on field testing as previously agreed.
- ESAAG advises that country that previously volunteered to field test the ED (Namibia) was no longer able to so and would seek advice from other member countries on whether they could field test.
- Nov - Dec 2006
(cont’d) OECD-DAC-JV advises that the following countries have indicated a willingness to field test and will contact IPSASB staff directly re field testing: Nigeria, Madagascar, and Burkina Faso. Staff follow up without success.
- Dec 06 – Mar 07 Application for funding support made to State Secretariat for Economic Affairs (SECO) of Switzerland. Grant approved February 2007.

Staff develop field test protocols and liaise with OECD-DAC-JV, SECO, ESAAG and others to find field test partners. Staff also make direct contact with a number of countries in Africa and Asia, and with the IFAC-DNC with a view to identifying field test partners. Ghana, Uganda and Nigeria field test ED 32.

April – May 07 Exposure period for ED 32 extended to April 30 to allow for additional responses. Members and staff continue to seek field test partners from other regions including South and Central Asia and Central and South America.

July 2007 IPSASB review all 16 responses to ED 32 and note progress on field testing the ED. IPSASB provides directions to staff for preparation of additional sections to the Cash Basis IPSAS dealing with required and encouraged disclosures by recipients of external assistance. IPSASB makes preliminary decisions on matters identified in the “specific matters for comment” and agrees that ED 32 be updated for these initial decisions, translated into Spanish and made available for use in field testing in Latin America. IPSASB also agrees that staff and members seek field test partners in other parts of the world. Field testing to be completed by end October and results reviewed at the November meeting.

August – Oct 2007 ED 32 updated for decisions made at the July 2007 IPSASB meeting and translated into Spanish for use in seeking field test partners in Latin America.

IPSASB members, observers and staff seek field test partners in other jurisdictions.

Staff draft proposed amendments to Cash Basis IPSAS to reflect decisions made at July IPSASB meeting and forward to IPSASB for review at November 2007 meeting, together with field test results and report on field test activities.