



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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DATE: 20 FEBRUARY 2006  
MEMO TO: MEMBERS OF THE IPSASB  
FROM: PAUL SUTCLIFFE  
SUBJECT: EXTERNAL ASSISTANCE

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**ACTION REQUIRED**

Members are requested to:

- **Consider** the proposed strategy for finalization of an IPSAS based on Exposure Draft ED 24 – “Financial Reporting Under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” and provide staff with directions regarding the issues identified;
- **Review** the marked-up ED 24 and provide staff with directions regarding further amendment; and
- **Provide** a verbal update on any further progress in gaining support for field testing ED 24 from member jurisdictions.

**AGENDA MATERIAL**

	Pages
11.2 History sheet	11.9 – 11.10
11.3 Marked-up outline of proposed revised structure of ED 24	11.11 – 11.67
11.4 Summary of additional responses to ED 24	11.68 – 11.78
11.5 OECD JV PFM Draft Work Programme	11.79 – 11.83
11.6 Paris Declaration	11.84 – 11.95
11.7 Responses to ED 24 and summary thereof (distributed separately)	
11.8 Verbal report from Chair on OECD-DAC JV meeting	

**BACKGROUND**

Exposure Draft ED 24, “Financial Reporting Under the Cash Basis of Accounting - Disclosure Requirements for Recipients of External Assistance” was issued in January 2005 with comments requested by June 15.

Members undertook a preliminary review of the submissions received in July 2005, noted that the responses provided mixed messages about whether implementation of the requirements were too onerous, and agreed that it was not appropriate to proceed to finalize an IPSAS reflecting the requirements in ED 24 without field testing those requirements.

Subsequently, support for field testing was sought from the OECD-DAC and by donors in IPSASB member jurisdictions, and additional responses to ED 24 were encouraged.

At its last meeting in Cape Town in November/December 2005, members provided an update on the potential for donor organizations in their jurisdictions to participate in and/or

support field testing of ED 24, and noted that additional responses to ED 24 had been received.

At that meeting, the IPSASB also reaffirmed the importance of developing an IPSAS dealing with reporting external assistance in financial statements prepared under the cash basis of accounting, and agreed that consideration of the process for finalization of an IPSAS would be reactivated at this (the Tokyo) meeting, in the light of any further input received from respondents to ED 24, and any further developments in the potential for field testing.

At the Cape Town meeting, issues and potential approaches to development of the IPSAS were discussed with Consultative Group members and others from the financial reporting community in South Africa. After consultation, members agreed that an approach that mirrors that in the Cash Basis IPSAS should be considered – that is, an IPSAS which specifies mandatory required disclosures and encourages additional disclosures. The additional encouraged disclosures could then be adopted as appropriate in different jurisdictions in consultation between donors and the recipients of external assistance. Just which disclosures should be identified as mandatory and which encouraged was not developed at the Cape Town meeting – staff views on which disclosures would be identified as required and which as encouraged if the principles of the cash basis IPSAS are applied, are identified below.

Members also noted that amongst the issues to be considered at the Tokyo meeting was whether progress towards a final IPSAS could be made without the results of field testing the original or any restructured ED 24.

#### *Subsequent Consultation*

IFAC staff member Matthew Bohun attended a meeting of Regional Managers of the Multilateral Development Banks in December 2005. A note on that meeting is attached to this memorandum.

The Chair attended an OECD-DAC meeting in February 2006 and will provide a verbal update on that meeting. However, it does appear that the prospects for field testing in the short term are not good.

A history sheet outlining the development of the ED and the consultation program to date is attached at 11.2.

#### *Additional responses to ED 24 post July 2005*

There are seven additional responses to ED 24. These were distributed separately to all members in early February 2006, together with the original responses. A summary of the original responses prepared by Charles Coe (the consultant who worked on development of ED 24) was also included in that distribution. Members are requested to bring these papers to the meeting for referral purposes during discussion.

A summary of those additional responses is attached to this memorandum. As with all summaries and analysis, judgment has been necessary in classifying responses and drawing out major points made by respondents. The summaries should therefore be read in conjunction with the submissions themselves.

The additional responses largely reflect the previous responses – that is, there is:

- strong support for the issuance of an IPSAS which requires disclosure of external assistance by recipients; but
- differing views on whether all the requirements proposed in ED 24 are appropriate. Some are of the view that they are too onerous or too costly to implement; and
- differing views on just which disclosures should be required and which encouraged.

As a basis for discussion at the forthcoming meeting, staff views on key issues are identified below. They include views on a potential restructuring of ED 24 to reflect the mandatory and encouraged disclosures approach raised at the last meeting in Cape Town.

Members' responses to these views will, of course, be influenced by feedback provided at the meeting on whether field testing is likely to be initiated or supported, and the likely timing of any feedback from such field tests.

## KEY ISSUES

### **Issue A. Should the IPSASB commence the process of finalizing an IPSAS at this meeting?**

#### *Staff view*

Staff are of the view that at this meeting the IPSASB should agree to:

- commence the process of finalizing an IPSAS (or an addition to the Cash Basis IPSAS) which includes the requirements of ED 24 reclassified into mandatory and encouraged disclosures, with a view to completion of that IPSAS by the end of 2006;
- continue to work with the OECD-DAC and other organizations to promote and support field testing the requirements of ED 24, as amended for inclusion in the IPSAS;
- review the results of field testing in 2008; and
- revisit the mandatory and encouraged disclosures in the IPSAS in light of the field test results and in conjunction with the results of the review of the implementation of the Cash Basis IPSAS – also anticipated to be available in 2007/2008.

The reasons for these views are outlined below

#### *Moving to an IPSAS*

The circumstances which prompted constituents to request the IPSASB to develop an IPSAS on this topic remain:

- diversity of current practice and benefits to users of general purpose financial statements in respect of consistency and transparency of financial reporting of external assistance; and
- potential for reduction in the compliance costs of recipients of external assistance if donors would agree that recipients could comply with the IPSAS for compliance reporting purposes; and/or would build on the requirements of the IPSAS for compliance reporting requirements.

While there may be different views about what should be required in any final IPSAS, strong support for the issuance of an IPSAS on this topic was reflected in responses to ED 24 - there was a clear sense that this is a major gap in financial reporting under the cash basis, and that an IPSAS is much needed. This view was reflected in many responses including from those who and have provided funds in support of the project and those who have

invested significant resources in monitoring the development of, and in responding to, ED 24. In addition, while many raised concerns about the practicality and cost of requiring all recipients to implement all the requirements as proposed in ED 24, there was an acknowledgement that the majority of requirements had merit in themselves, and may usefully be implemented in some jurisdictions and aspired to in others. This emerged also from meetings with the Consultative Group and others in Cape Town (with some noting the value of the information for inclusion in special purpose reports).

The development of an IPSAS which is based on ED 24 but identifies a subset of the disclosures proposed by ED 24 as required and the others as encouraged additional disclosures provides the mechanism to respond to the concerns of respondents, and build on and use the knowledge base already developed amongst current IPSASB members.

While this approach does mean a reduced ambition for the IPSAS at this stage, it does reflect the first step in an orderly “build” to a fuller disclosure. The alternative appears to be to leave the current gap in reporting requirements for external assistance.

An alternate approach would be for the IPSASB to develop and expose for comment and then field test a revised ED reflecting a mandatory and encouraged approach, before moving to a final IPSAS. Staff are not convinced that this is an effective way to proceed. This would delay issue of an IPSAS and is likely to face the same frustrations in field testing the revised ED as has been experienced in field testing ED 24.. It also runs the risk that the momentum already in place may be lost. However, staff are of the view that as the IPSASB develops and shapes a final IPSAS which is responsive to concerns raised by respondents to ED 24, it should continue its consultation program with key constituents, ensure its deliberative drafts are made publicly available and encourage input on those drafts.

#### *Field Testing and Follow Up*

The OECD-DAC-JV is field testing the principles of what is known as the Paris Declaration on Aid Effectiveness. This is attached as item 11.6. Many of the principles reflected in the Paris Declaration are consistent with and are supported/reinforced by the application of requirements reflected in ED 24. There is then merit in seeking to link field testing ED 26 with field tests of the Paris Declaration.

Charles Coe, who has an ongoing involvement in some aspects of the OECD-DAC-JV program, has indicated that there is the potential for the field testing of the requirements of ED 24 (or the subsequent IPSAS) to build on the field testing of the Paris Declaration. However, any field testing results are not likely to flow through during 2006 or even 2007.

The IPSASB has previously made a commitment to review implementation of the Cash Basis IPSAS. This review was scheduled for 2005/2006 but has been deferred due to lack of resources.

Staff have proposed that the IPSASB consider an approach which involves developing during 2006 an IPSAS which includes required and encouraged disclosures and revisiting that IPSAS when field test results are available. Such an approach will enable the IPSASB to issue guidance in the short term which is responsive to the concerns of constituents and, as field test results come in, to assess whether the demarcation between requirements and encouragements is set appropriately. It will also enable the IPSASB to build into its review

of the external assistance IPSAS other relevant input from the review of implementation of the Cash Basis IPSAS.

Responses to ED 24 and discussion with the IPSASB Consultative Group has provided guidance for establishing a demarcation between required and encouraged disclosures. Of course there are some grey areas that will need judgment. With a firm commitment to revisit the IPSASB within say two or three years of issue, erring on the “low side” at this time has acceptable downside risk.

### *Due Process*

When proposing changes to an ED in the finalization process, the IPSASB due process needs to be considered and protected.

The IPSASB has a transparent due process which ensures constituents have the opportunity to comment on the requirements proposed for all IPSASs. Introducing new requirements that were not exposed is not consistent with that due process. Relaxing or eliminating proposed requirements that were exposed often occurs and is considered acceptable since it does not impose on prepares more requirements than were exposed. However, it needs to be acknowledged that, from a public interest perspective, reducing proposed requirements does not necessarily reflect the views of users and other constituents who may have supported the status of the proposed disclosure as a requirement.

Staff are of the view that the approach proposed in respect of ED 24 does not raise adverse due process consequences of such magnitude that it would require re-exposure of the proposed amendments before finalization. This is because:

- the requirements of the IPSAS developed as a result of the proposed approach, will not be new and will not be more demanding than the requirements exposed in ED 24;
- the modifications to ED 24 will respond to the concerns raised by many constituents who responded to the ED, and to concerns raised by IPSASB members and Consultative Group members in open discussion; and
- the application of the disclosure requirements proposed in ED 24 will not be prohibited – they will be identified as encouragements and will allow recipient to give effect to them as required;
- the IPSASB will revisit the IPSAS in a specified period to review its implementation and operation, and the designation of disclosures as required or encouraged.

### **Issue B Proposed Amendments to ED 24**

Just where the line should be drawn between requirement and encouragement is a matter of judgment. The amendments proposed by staff and the rationale are outlined below. The amendments attempt to reflect and build on the principles for identification of required and encouraged disclosures raised in Cape Town – that is, to use the requirements of the Cash Basis IPSAS as the benchmark, and to interpret them the context of ED 24. ED 24, marked up to reflect these proposals is included at item 11.3.

Respondents to ED 24 identified a number of specific issues that could usefully be clarified and/or resolved in the final IPSAS. The attached marked-up draft IPSAS does not attempt to deal with these matters. At this stage staff are simply seeking directions on whether the finalization process should commence and the nature/structure of the IPSAS.

Initial representation to the IPSASB was to develop a separate standard, but some respondents, including some who were initially of that view, noted there was merit in updating the Cash Basis IPSAS to include a section on external assistance disclosure. Staff support updating the cash basis IPSAS. However, pending IPSASB decisions otherwise, the attached mark-up draft retains the format and structure of ED 24, rather than an addition to the Cash Basis IPSAS. The relationship to the Cash Basis IPSAS can be clarified as the IPSASB makes decisions about moving ahead – staff have included in the marked up IPSAS views on the location of guidance if requirements and encouragements for external assistance were to be incorporated in the Cash Basis IPSAS.

The key requirements of the Cash Basis IPSAS that have influenced the structure of the revisions proposed for ED 24 are that the Cash Basis IPSAS requires:

- the presentation of certain items on the face of the financial statements and the inclusion of note disclosures as appropriate (paras 1.3.4, 1.3.12, 1.3.14, 1.3.24);
- that entities should provide additional information in notes where it is necessary for a fair presentation of the entity's cash receipts, cash payments and cash balances (para 1.3.30); and
- the disclosure of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating restrictions on the use of these facilities (para 1.4.9(a)).

An overview of the changes proposed to the requirements of ED 24 to reflect (and not extend) the principles and approach in the Cash Basis IPSAS is provided below. The “black letter” requirements of the Cash Basis IPSAS that have been drawn on to support the retention of certain requirements of ED 24 are identified in brackets. Staff are of the view that this establishes a minimum set of requirements consistent with application of the principles established in the Cash Basis IPSAS.

- (a) ED 24, Paragraphs 13 and 14. Amend to require disclosure of external assistance by class. Encourage disclosure of the following classes: balance of payments assistance, development assistance, emergency assistance, military assistance (Cash Basis IPSAS para 1.3.12 and 1.3.24).
- (b) ED 24, Paragraph 15. No change. Require disclosure of major classes of provider (Cash Basis IPSAS para 1.3.12 and 1.3.24).
- (c) ED 24, Paragraph 16. No change. Require disclosure of total amount of external assistance received as loan and the total amount received as grants (Cash Basis IPSAS para 1.3.12 and 1.3.24).
- (d) ED 24, Paragraph 22. Continue to require disclosure of total undrawn external assistance loans and grants (Cash Basis IPSAS paragraph 1.4.9(c)), but amend to encourage disclosure of major changes therein during the period.
- (e) ED 24, Paragraph 23. Amend to encourage disclosure by major sources of assistance.
- (f) ED 24, Paragraphs 26, 27, 28. Amend to encourage disclosure of the details of terms and conditions of external assistance loans and grants.
- (g) ED 24, Paragraph 33. Amend to encourage disclosure of guarantees.
- (h) ED 24, Paragraph 36. No change. Disclose instances of non-compliance and consequences thereof. While not specifically replicated in the Cash Basis IPSAS itself, this information will be readily available and central to the discharge of accountability and any assessment of the aid dependency of an entity. It is also justified by paragraph 1.3.30(b) of the Cash Basis IPSAS which requires disclosure

of additional information which is necessary for a fair presentation of cash receipts, payments and balances; and paragraph 1.3.32(b) which requires disclosure of information relevant to decision making and accountability needs of users.

- (i) ED 24, Paragraphs 39 and 40. Amend to encourage disclosure of details of repayment schedules.
- (j) ED 24, Paragraph 44. Amend to encourage disclosure of the fair value of goods and services in-kind.
- (k) ED 24, Paragraph 50. Amend to encourage disclosure of rescheduled or cancelled external assistance debt.
- (l) ED 24, Paragraph 52. No change to transitional provisions, except to reflect consequences of earlier amendment to encourage (rather than require) disclosure of changes in undrawn balances.
- (m) ED 24, Paragraph 53. No change to transitional provision.
- (n) ED 24, Paragraph 54. No change. Require disclose when transitional provision is applied

(Staff propose that transitional provisions be revisited in the light of the IPSASB's decision regarding required and encouraged disclosures.)

For illustrative purposes, the marked-up draft has struck through those disclosures proposed as encouragement. In any final IPSAS, they would be included as illustrative of the encouraged disclosures.

The Basis for Conclusion has not been updated, pending IPSASB decisions regarding the way forward.

## **Attachment**

Report on meeting of multi-lateral development bank regional managers at the World Bank on December 5, 2005 attended by IFAC staff: Matthew Bohun.

Participants were:

- Ron Points, World Bank
- Roberto Torallo, World Bank
- Charles Muthuthi, African Development Bank
- Abdoulaye, Coulibaly, African Development Bank
- Korka Diallo, African Development Bank
- Kathleen Moktan, Asian Development Bank
- BW Park, Asian Development Bank
- Ronaldo Rotter, Inter-American Development Bank
- Deborah Sprietzer, Inter-American Development Bank
- M Ennifar, Islamic Development Bank
- S Barry, Islamic Development Bank

The meeting was supportive of the project and wanted to see an IPSAS developed on external assistance. They reminded me that funding has been provided to IPSASB (then PSC) in support of the development of the IPSAS.

The meeting felt that the proposed requirements were too onerous and it would not be possible for many countries to provide the information required (they noted that South Africa and Mauritius were atypical and in most borrower countries the public sector lacked the skilled workforce of those two countries). They noted that they provided comments on the ED and they would prefer to see the ED amended in line with those comments before they ask countries to commit resources to field test the proposed requirements. They generally supported the idea of minimum required disclosures with encouraged additional disclosures.

There was also a sense that they would actively (even strongly) encourage the bilateral to follow the provisions of the IPSAS rather than continue to demand their own tailored reports.

## Project History

### Cash Basis IPSAS- Disclosure by Recipients of External Assistance (Last updated February 2006)

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 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	<p>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.</p> <p>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”.</p>
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.

- Oct 2004 (contd) Third Draft ED with scope defined as “Disclosure by Recipients of External Assistance” submitted 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 Exposure Draft 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 exposure draft 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 issued with comment period until 15 June 2005. ED loaded on IFAC website. PAP and OECD-DAC advised with request to field test. Hard copies printed and distributed widely.
- July 2005 IPSASB commences consideration of responses. 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.

**INTERNATIONAL PUBLIC SECTOR  
ACCOUNTING STANDARDS BOARD IPSAS XX**

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**TO BE UPDATED TO REFLECT IPSASB DECISIONS**

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## **INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD IPSAS 24**

### **Disclosure Requirements for Recipients of External Assistance**

This Standard should be read in conjunction with the Cash Basis IPSAS. It requires certain disclosures about external assistance and encourages other disclosures. The required disclosures are additional to those specified in the Cash Basis IPSAS. ~~The standards, which have been set in bold type, should be read in the context of the commentary paragraphs in this Standard, which are in plain type, and in the context of the “Preface to International Public Sector Accounting Standards”. International Public Sector Accounting Standards are not intended to apply to immaterial items.~~

### **Objective**

The objective of this Standard is to prescribe the disclosures recipients of external assistance are to make about external assistance provided during the reporting in general purpose financial statements prepared in accordance with the Cash Basis IPSAS. The Standard also identifies additional disclosures that recipients of external assistance are encouraged, but not required, to make.

### **Scope**

1. **This Standard applies to all entities that are recipients of external assistance and prepare and present their general purpose financial statements under the cash basis of accounting, as defined in the Cash Basis IPSAS.**
2. **This Standard applies to all public sector entities other than Government Business Enterprises (GBEs).**
3. The Preface to International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) explains that International Financial Reporting Standards (IFRSs) are designed to apply to the general purpose financial statements of all profit-oriented entities. GBEs are defined in paragraph 4 below. They are profit-oriented entities. Accordingly, they are required to comply with IFRSs and International Accounting Standards (IASs).
4. **Where an entity elects to include in its financial statements any disclosures encouraged by this Standard, those disclosures should comply with the accounting policy and explanatory notes requirements of the Cash Basis IPSAS.**

First draft of revised ED 24 identifying required and encouraged disclosures –  
For IPSASB review March 2006

5. The Cash Basis IPSAS requires that when an entity elects to include in its financial statements any disclosures encouraged by Part 2 of the Cash Basis IPSAS, those disclosures are to satisfy the qualitative characteristics of financial reporting as specified. The cash basis IPSAS also requires that the notes describe the specific accounting policies adopted for significant transactions and events and which are necessary for a proper understanding of the financial statements.

*STAFF NOTE –Paras 4 and 5 have been added as a consequence of the introduction of encouraged disclosures in this draft. They attempt to replicate the approach adopted in the Cash Basis IPSAS. If the requirements and encouragements for the disclosure of external assistance were incorporated in (added to) the cash basis IPSAS these paragraphs would not be required.*

## Definitions

- 4.6. The following terms are defined in the Cash Basis IPSAS and shall be read with the meaning specified:

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

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

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

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

**Exchange rate is the ratio for exchange of two currencies.**

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

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

- (a) is an entity with the power to contract in its own name;
- (b) has been assigned the financial and operational authority to carry on a business;

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- (c) **sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery;**
- (d) **is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and**
- (e) **is controlled by a public sector entity.**

**Materiality: information is material if its omission or misstatement could influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the item or error judged in the particular circumstances of omission or misstatement.**

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

**5.7.** 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.**

***Balance of Payments Assistance means all official resources received in support of the entity's balance of payments position or to defend a currency exchange rate.***

**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.**

***Development Assistance means all official resources received in support of the entity's economic development or welfare objectives.***

***Emergency Assistance means all official resources received in support of the entity's emergency relief objectives.***

***An Emergency is an urgent and/or abnormal situation which results in human suffering and/or loss of crops, livestock or physical infrastructure caused by natural or man-made events including war or severe civil unrest, drought, earthquakes, pests, disease or other similar events.***

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

First draft of revised ED 24 identifying required and encouraged disclosures –

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

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

***Military Assistance*** means all official resources received in support of the entity's military and/or defense 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-Government 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 or to individuals.

**Official Resources** means all loans, grants, technical assistance, guarantees or other assistance provided or committed under a binding agreement by multilateral external assistance agencies or by governments or government agencies, 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 GBE.

***Trade Finance*** means all official resources received in support of transactions that are primarily trade facilitating in purpose, including export credits or loans offered by Export/Import Banks or other government agencies.

*STAFF NOTE – If the same structure as in the Cash Basis IPSAS was adopted for this standard, definitions of specific classes of assistance and related commentary could be relocated to Part 2 of the IPSAS. Part 2 being “Encouraged Additional Disclosures”. Commentary paragraphs referring to the definitions of encouraged disclosures could then also be relocated to the Part 2.*

*Staff have italicized the definitions and related commentary which could be relocated consequent on a decision to require disclosure by class and encourage disclosure of specific classes such as development assistance.*

First draft of revised ED 24 identifying required and encouraged disclosures –

For IPSASB review March 2006

6.8. *Different organizations may use different terminology for the same type or types of assistance. For example, some organizations may use the term military aid rather than military assistance or development aid rather than development 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 this Standard requires a change to current practice. In this context, it should be noted that the term Development Assistance as defined in this Standard is consistent with the term “Official Development Finance” as defined and used by the Organization for Economic Co-operation and Development (OECD).*

### **External Assistance Agreements**

7.9. Governments regularly seeking development assistance from multilateral and bilateral external assistance agencies usually participate in an annual meeting to discuss the government’s macroeconomic plans and its development 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 meeting may be expanded to include the country’s emergency assistance needs or a separate emergency assistance meeting may be held. Either meeting usually concludes 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.

8.10. *Trade finance and military assistance normally result from direct bilateral discussions that may also result in statements of intent or pledges which are not binding on the government or the external assistance agency. Subsequent written agreements may result in trade finance or military 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.*

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9.11. *Balance of payments assistance usually results from a country inviting external assistance agencies to participate in a program to address the country's balance of payment concerns. Pledges of support or assistance which are not binding on the government or the external assistance agencies may result from meetings to organize a program of assistance. Subsequent written agreements may result in balance of payments 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. Terms and conditions that determine or restrict immediate access to balance of payments funds or to future tranches of funds may have an important impact on macroeconomic policy and revenue and expenditure options available to the country. These terms and conditions plus the funding provided have a direct impact on the sustainability of the country's operations.*

10.12. External assistance agreements usually 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. External assistance agreements usually provide for the draw down or disbursement of funds over more than one accounting period;
- (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 entity, as defined by the loan or grant agreement.

Payments to a third party may include payments to an NGO settling in cash an obligation of the entity for goods or services provided or to be provided by the NGO. External assistance agreements may also include provision of goods or services in-kind.

## **Disclosure Requirements under the Cash Basis IPSAS**

11.13. The Cash Basis IPSAS specifies the following requirements in respect of the statement of cash receipts and payments and the disclosure of payments made by third parties:

“An entity should prepare and present general purpose financial statements which include the following components:

- (a) a statement of cash receipts and payments which:

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- (i) recognizes all cash receipts, cash payments and cash balances controlled by the entity; and
  - (ii) separately identifies payments made by third parties on behalf of the entity in accordance with paragraph 1.3.24 of this Standard; and
- (b) accounting policies and explanatory notes.” (paragraph 1.3.4)

“The statement of cash receipts and payments should present the following amounts for the reporting period:

- (a) 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;
- (b) total cash payments of the entity showing separately a sub-classification of total cash payments using a classification basis appropriate to the entity’s operations; and
- (c) beginning and closing cash balances of the entity.” (paragraph 1.3.12)

“Total cash receipts and total cash payments, and cash receipts and cash payments for each sub-classification of cash receipt and payment, should be reported on a gross basis, except that cash receipts and payments may be reported on a net basis when:

- (a) they arise from transactions which the entity administers on behalf of other parties and which are recognized in the statement of cash receipts and payments; or
- (b) they are for items in which the turnover is quick, the amounts are large, and the maturities are short.” (paragraph 1.3.13)

“Line items, headings and sub-totals should be presented in the statement of cash receipts and payments when such presentation is necessary to present fairly the entity’s cash receipts, cash payments and cash balances.” (paragraph 1.3.14)

“Where, during a reporting period, a third party directly settles the obligations of an entity or purchases goods and services for the

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benefit of the entity, the entity should disclose in separate columns on the face of the statement of cash receipts and payments:

- (a) total payments made by third parties which are part of the economic entity to which the reporting entity belongs, showing separately a sub-classification of the sources and uses of total payments using a classification basis appropriate to the entity's operations; and
- (b) total payments made by third parties which are not part of the economic entity to which the reporting entity belongs, showing separately a sub-classification of the sources and uses of total payments using a classification basis appropriate to the entity's operation.

Such disclosure should only be made when during the reporting period the entity has been formally advised by the third party or the recipient that such payment has been made or has otherwise verified the payment.” (paragraph 1.3.24)

12.14. This Standard requires certain disclosures about cash receipts and payments and third party payments in respect of external assistance and sub-classifications thereof. Disclosures about these matters will be made on the face of the statement of cash receipts and payments or in the notes consistent with the requirements of the Cash Basis IPSAS. The Cash Basis IPSAS also requires ~~additional note disclosures~~ and in certain cases encourages additional note disclosures, and specifies the basis on which certain of those disclosures are to be made. This Standard also requires and encourages additional disclosures to be made about certain aspects of external assistance. The additional disclosures required by this Standard are not inconsistent with, and do not replace, the disclosures required by the Cash Basis IPSAS. Rather, this Standard specifies the additional disclosures about external assistance that are to be made when the cash basis of accounting is adopted. Similarly the disclosures encouraged by this Standard, are additional to those encouraged in the Cash Basis IPSAS.

*STAFF NOTE: Paragraphs 11, 12 and 13 would be unnecessary if the requirements for external assistance were added as additional components to the Cash Basis IPSAS.*

### **Additional Disclosure Requirements under this Standard**

15. **The entity shall 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 received in cash during the period,**

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**showing separately major purposes for which that assistance was provided using a classification basis appropriate to the entity's operations.**

**\_\_\_\_\_:**

- ~~(a)Development Assistance;~~
- ~~(b)Trade Finance;~~
- ~~(c)Emergency Assistance;~~
- ~~(d)Military Assistance;~~
- ~~(e)Balance of Payments Assistance; and~~
- ~~(f)(a) Other assistance.~~

**14.16.** The entity shall 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 showing in separate columns:

- (a) Total payments made by third parties which are part of the economic entity to which the reporting entity belongs, showing separately **major purposes for which that assistance was provided using a classification basis appropriate to the entity's operations.:**
  - ~~(i)Development Assistance;~~
  - ~~(ii)Trade Finance;~~
  - ~~(iii)Emergency Assistance;~~
  - ~~(iv)Military Assistance;~~
  - ~~(v)Balance of Payments Assistance; and~~
  - ~~(vi)(i) Other assistance.~~
- (b) Total payments made by third parties which are not part of the economic entity to which the reporting entity belongs, showing separately **major purposes for which that assistance was provided using a classification basis appropriate to the entity's operations.:**
  - ~~(i)Development Assistance;~~
  - ~~(ii)Trade Finance;~~
  - ~~(iii)Emergency Assistance;~~

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~~(iv) Military Assistance;~~

~~(v) Balance of Payments Assistance, and~~

~~(vi)(i) Other assistance.~~

*STAFF NOTE: Deleted subparagraphs above could form the basis of an encouragement paragraph in part 2 of the IPSAS (but would specify that the disclosure was only encouraged, not required) if the same format as in the Cash Basis IPSAS was adopted. Commentary paragraphs referring to the encouragements could then be relocated to the Part 2.*

~~15.17.~~ **Where external assistance is received from more than one provider, the major classes of providers of assistance shall be disclosed separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.**

~~16.18.~~ **Where external assistance is received in the form of loans and grants the total amount received during the period as loans or as grants shall be shown separately, either on the face of the Statement of Cash Receipts and Payments or in the notes to the financial statements.**

~~17.19.~~ Disclosure of the amount of cash received and third party payments on behalf of the entity will indicate the extent to which the operations of the entity are funded from internal sources or are dependent upon external assistance. Disclosure of the ~~composition of major classes of~~ external assistance as required by paragraphs 13 and 14 above will indicate the purpose for which external assistance has been received and the amount of external assistance provided for each category. Entities are encouraged to disclose development assistance and other major classes of external assistance received. As appropriate to the entity's operations and the function for which external assistance has been provided, those other classes of external assistance may include trade finance, emergency assistance, military assistance and balance of payments assistance. For particular entities additional, or different classes, of external assistance may also be disclosed in accordance with the requirements of paragraphs 13 and 14.

*Staff Note – The IPSASB was initially encouraged by the OECD-DAC and the Multilateral Development Banks Financial Management Harmonization Group to develop an IPSAS dealing with development assistance. There is then a case for structuring the encouragement to highlight disclosure of development and other assistance. Alternatively, a more “neutral” disclosure reflective of the proposed requirements in the Ed could be*

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*adopted – For example, the final sentences of paragraph 17 above could be replaced with:*

*“Where appropriate to the entity’s operations, disclosure of the following major classes of external assistance is encouraged: development assistance, trade finance, emergency assistance, military assistance, balance of payments assistance, and other assistance or other classes of assistance.”*

18.20. Disclosure of the major classes of providers of assistance, such as multilateral donors and bilateral donors or 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 and the amount of assistance provided. However, such disclosure is not prohibited. Such disclosure, when there is more than one provider of assistance, will indicate the extent of diversification of sources of assistance.

19.21. External assistance is ~~usually~~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 the Cash Basis IPSAS.

20.22. 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 or by a GBE. The national government may re-lend or assign the funds received to the other entity or GBE. The terms and conditions of the re-lent or assigned funds may be the same as received from the 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 or GBE 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.

23. Each entity is encouraged to ~~will~~ disclose the terms and conditions of its respective external assistance agreement in ~~its~~ notes to the financial

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statements, in accordance with paragraphs 26 to 28 of this Standard. Such disclosures could usefully encompass terms and conditions contained in the agreements that:

- (a) determine or effect access to, or limit the use of external assistance;
- (b) that apply throughout the life of the external assistance agreement, and which, if in default, may result in suspension, cessation or repayment of some or all external assistance funds provided under the agreements; and
- (c) any balance of payments assistance agreement, other than foreign exchange rate targets, foreign exchange intervention levels and other foreign exchange market sensitive data.

21.24. 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 the Cash Basis IPSAS.

#### Undrawn External Assistance

22.25. The entity shall disclose separately in the notes to the financial statements the ~~opening~~ balance of undrawn external assistance, ~~changes during the period and the closing balance~~ available to fund future operations showing separately:

- (a) ~~Total external assistance loans; and and for each of development assistance, trade finance, emergency assistance, military assistance, and balance of payments assistance:~~
  - ~~(i) the opening balance of undrawn loans, including partially undrawn loans;~~
  - ~~(ii) the amount of new loans approved or otherwise made available during the period;~~
  - ~~(iii) the total amount drawn or utilized during the period;~~
  - ~~(iv) the total amount cancelled during the period;~~
  - ~~(v) total foreign exchange adjustments; and~~
  - ~~the closing balance of undrawn loans.~~

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- (b) ~~Total external assistance grants and for each of development assistance, trade finance, emergency assistance, military assistance, and balance of payments assistance:~~

~~(i) the opening balance of undrawn grants, including partially undrawn grants;~~

~~(ii) the amount of new grants approved or otherwise made available during the period;~~

~~(iii) the total amount drawn or utilized during the period;~~

~~(iv) the total amount cancelled during the period;~~

~~(v) total foreign exchange adjustments; and~~

~~(vi) the closing balance of undrawn grants.~~

*STAFF NOTE: Deleted sub- paragraphs above could form the basis of an encouragement paragraph in part 2 of the IPSAS (but would specify that the disclosure was only encouraged, not required) if the same format as in the Cash Basis IPSAS was adopted. Commentary paragraphs referring to the encouragements could then be relocated to the Part 2.*

~~23.26. The entity shall disclose separately in the notes to the financial statements the total undrawn external assistance by major source(s), by loan or grant and the currency or currencies in which the external assistance is denominated.~~

~~24.27. Disclosure of the amount of external assistance currently committed under a written agreement(s) but not yet drawn down will indicate the extent to which the entity may avail itself of external assistance to sustain its operations in the future. Disclosure of the major sources and classes of undrawn loan and grant assistance and changes therein during the period is also encouraged by this standard. Such disclosures undrawn external assistance by the categories noted above would be made on a classification basis appropriate to the entity's operations. They would will indicate the extent to which assistance is available for each category or activity in the future, the extent to which amounts were drawn down during the reporting period and whether new loans and grants were authorized during the reporting period.~~

~~28. Paragraph 23 above encourages the disclosure of certain information about the terms and conditions of external assistance agreement, including information that may limit or otherwise affect current or future access to the funds. Undrawn external assistance balances may be significant and their~~

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disclosure, together with their terms and conditions ~~that limit or otherwise affect current or future access to the funds~~, 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. Disclosure of non-compliance with any terms and conditions of external assistance is also beneficial to the readers of the financial statements' determination of whether funds will be available to support the entity's future operations. External assistance provided without a written agreement would not result in a balance of undrawn external assistance.

~~25.29. Where such disclosures were made, e~~ External assistance denominated in a foreign currency and approved, drawn, utilized or cancelled during the accounting period 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 the Cash Basis IPSAS. ~~Similarly, o~~ Opening and closing balances ~~will~~ would be determined by applying to the foreign currency amount the exchange rate on the respective dates. ~~The note will also disclose the amount of exchange differences included as reconciling items between opening and closing undrawn external assistance balances for the period.~~

#### **Terms and Conditions of External Assistance Loans or Grants**

~~20. The entity shall disclose separately in the notes to the financial statements the terms and conditions contained in the agreements that determine or effect access to external assistance as well as terms and conditions that limit the use of such funds.~~

~~21. The entity shall disclose separately in the notes to the financial statements terms and conditions contained in the agreements that apply throughout the life of the external assistance agreement, and which, if in default, may result in suspension, cessation or repayment of some or all external assistance funds provided under the agreements.~~

~~22. The entity shall disclose separately in the notes to the financial statements terms and conditions of any Balance of Payments Assistance agreement, other than foreign exchange rate targets, foreign exchange intervention levels and other foreign exchange market sensitive data.~~

*STAFF NOTE: Deleted paragraphs above could form the basis of encouragement paragraphs (but would specify that the disclosure was only encouraged, not required) in a Part 2 of the IPSAS if the same (Part 1 mandatory and Part 2 encouraged) format as in the Cash Basis IPSAS was adopted. Commentary paragraphs could then refer to the encouragement.*

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*The terms and conditions which are encouraged for disclosure have already been identified in paragraph 21. With the deletion of the requirement to make the disclosures the comprehensive explanations of the reason for their disclosure and cautions about certain such disclosures identified in paragraphs 29 to 32 below does not sit well in the IPSAS itself. Staff would see such explanation as forming an important component of the basis for conclusion explaining the rationale for the encouragement. On that basis it has been deleted from this draft.*

*Of course, if the IPSAS was structured to reflect the format in the Cash basis IPSAS (Part 1 mandatory and Part 2 encouraged) the deleted paragraphs below could form the basis of an explanation of the encouragement in Part.*

~~29. 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 what those actions are. Some external assistance may be released on specific dates. In other cases, external assistance release may be dependent upon the entity undertaking actions specified in an external assistance agreement, such as implementing specific policy changes prior to the release of the external assistance. 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 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.~~

~~30. Disclosure of an entity's receipt of balance of payments assistance indicates that concerns exist regarding its ability to meet or manage its foreign exchange reserve requirements. This may impact its ability to raise additional foreign capital, its ability to service debt denominated in foreign currency and its ability to import goods and services invoiced in foreign currency. The terms and conditions of a balance of payments agreement may include macroeconomic targets including budget deficit targets, establishment of a financial sector asset recovery or management agency or other broad economic recovery or management objectives. Disclosure of those terms and conditions provide details of the performance criteria the entity must meet to access or continue accessing balance of payments assistance.~~

~~31. The terms and conditions of balance of payments assistance may include a policy reform agenda similar to that for certain forms of development assistance. The determining factor in differentiating between these types of assistance would be the intended purpose or objective of the assistance. When the policy agenda focuses on domestic macroeconomic or sector issues and/or the domestic currency proceeds of~~

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~~the assistance are utilized for budget support, development assistance is indicated. Balance of payments assistance is indicated when the policy agenda includes a focus on issues relevant to stabilization of the national currency exchange rate, and/or when the domestic proceeds of the assistance are “neutralized” or “sanitized” by the issuance of domestic bonds in a similar amount or by other means to minimize the effect of the assistance on domestic money supply. Balance of payments assistance is indicated when the assistance provided is part of, or is associated with, a rescheduling, deferral or cancellation of some or all of the entity’s sovereign debt.~~

~~32. The exchange rate of the currency of a country receiving balance of payments assistance may experience some market fluctuation. In order to stabilize the exchange rate, the government and an external assistance agency may agree on exchange rate targets for the domestic currency versus convertible currencies, foreign currency market intervention levels or other market sensitive information. Disclosure of this type of information may undermine the immediate objective of stabilizing the currency exchange rate. Therefore it does not need to be disclosed.~~

## Guarantees

~~33. The entity shall disclose separately in the notes to the financial statements:~~

- ~~(a) the outstanding balance of any loans, and any terms and conditions relating to such loans, for which performance has been guaranteed by a third party or parties. The entity shall also disclose any additional terms and conditions resulting from the guarantee agreement; and~~
- ~~(b) terms and conditions attaching to grants that have been guaranteed by a third party or parties. The entity shall also disclose any additional terms and conditions resulting from the guarantee agreement.~~

~~34.30.~~ External assistance may consist of, or include, a guarantee of the balance of a loan borrowed by an entity, in total or up to a specified amount, or a guarantee of performance of some action under the loan, such as payment of interest or setting tariffs according to an agreed formula. Grants may also be subject to terms and conditions which are guaranteed by third parties.

~~35.31.~~ The entity is encouraged to disclose in the notes to the financial statements ~~Disclosure of~~ the outstanding balance of any external assistance loans ~~guaranteed~~ and any terms and conditions of ~~any~~ such loans for which performance ~~of the terms and/or the conditions~~ has been guaranteed by third parties. ~~This~~ would indicate the extent of, or need for, support from another entity to obtain the benefits of the external assistance agreement. The entity

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is also encouraged to disclose ~~of any additional~~ the terms and conditions set as part of the guarantee agreement. This will indicates the additional performance agreement that arises as a consequence of the guarantee. The entity is also encouraged to disclose similar information about ~~Disclosure of the~~ terms and conditions that are attached to grants that have been guaranteed by third parties. This will ~~also~~ be relevant in identifying the performance criteria the entity must meet to avail or continue availing itself of the grant and/or the guarantee.

*STAFF NOTE. Deleted paragraphs above could form the basis of encouragement paragraphs (but would specify that the disclosure was only encouraged, not required) in a Part 2 of the IPSAS if the same (Part 1 mandatory and Part 2 encouraged) format as in the Cash Basis IPSAS was adopted. Commentary paragraphs could then refer to the encouragement.*

### **Noncompliance with Terms and Conditions of External Assistance Loans, Grants or Guarantees**

**36.32.** The entity shall disclose separately in the notes to the financial statements any terms and conditions associated with external assistance loans, grants or guarantees that have not been complied with together with the consequence of the noncompliance.

**37.33.** Disclosure of the terms and conditions of an external assistance agreement that have not been complied with usually indicates what actions need to be taken to re-establish compliance with the agreement and indicates that the consequences specified by the agreement may be applied. Disclosure of the consequences will indicate the lost opportunities or cost to the entity. Consequences stated in the agreement may include cessation of rights to draw funds under the affected agreement until the default is corrected, repayment of a portion of the funds already drawn down or repayment of the entire balance of the funds 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.

**38.34.** Any violation of the terms and conditions of an external assistance agreement has immediate impact on the entity's expectations for future cash flow under that agreement and possibly other agreements.

### **Repayment Terms of External Assistance Loans**

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- ~~39. The entity shall disclose separately in the notes to the financial statements summarized data specifying the repayment terms and conditions covering all outstanding external assistance debt, including at least: the grace period; interest rate; current debt service payments; future debt service payments; remaining term of the loan; currency of debt service payments; and any other significant repayment terms.~~
- ~~40. Disclosure of future debt service payments for outstanding external assistance debt denominated in a foreign currency shall be reported in the entity's reporting currency by applying to the foreign currency amount the closing rate. Where debt service payments consist of only interest or other service charges with principal repayment deferred until the term of the loan, or some other future date, these principal repayment requirements shall be disclosed separately. Future debt service payments for variable rate debt shall be estimated based on applicable interest rates at the closing date.~~
35. Debt service payments may be a significant cash outlay for the entity and will impact on cash available to fund current operations as well as the entity's ability to fund further operations. The entity is encouraged to disclose separately in the notes to the financial statements a summary of the repayment terms and conditions of outstanding external assistance debt, showing separately 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. The disclosure of this information will indicate when debt service (principal and interest or service charges) will commence and the amount of principal and interest or service charge, if any, payable.
- ~~42-36. Future debt service payments for outstanding external assistance debt may be denominated in a foreign currency. Where disclosures of such amounts are made the entity is encouraged to report them in the entity's reporting currency by applying to the foreign currency amount the closing rate. This will indicate the nature of the foreign exchange risk, if any, associated with the future repayment of external assistance. Disclosure of future annual debt service payments indicates the impact of debt service on future cash resources.~~
- ~~37. The disclosure of information about repayment terms and conditions may require the estimation of, for example, the interest rate to be applied to~~

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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 5 of this standard, the basis on which such estimates are developed will be disclosed where necessary for a proper understanding of the financial statements. Similarly, the basis on which foreign currency amounts are converted to the reporting entity's currency will be disclosed where necessary for a proper understanding of the financial statements.

~~43. External assistance loans usually include concessional repayment terms and interest rates relative to those the entity would receive from commercial sources. Grace periods associated with external assistance loans often defer initial debt service payments for several years from the commencement of the project or program.~~

*STAFF NOTE: Deleted paragraphs above could form the basis of encouragement paragraphs (but would specify that the disclosure was only encouraged, not required) in a Part 2 of the IPSAS if the same (Part 1 mandatory and Part 2 encouraged) format as in the Cash Basis IPSAS was adopted. Commentary paragraphs could then refer to the encouragement.*

### Receipt of Goods or Services In-kind

~~44. The entity shall disclose separately in the notes to the financial statements the fair value of goods or services received in-kind measured in the economy of the recipient as of the date of receipt. Where fair value in the economy of the recipient is not determinable, fair value in the world market shall be used. Where goods are not traded internationally, fair value in the donor's economy shall be used.~~

~~45.38. The entity is encouraged to disclose separately in the notes to the financial statements the fair value of goods or services received in-kind measured in the economy of the recipient as of the date of receipt. Such disclosures of the value of goods or services received in-kind under an external assistance agreement will indicate the extent of external assistance received as goods or services in-kind under an external assistance agreement.~~

~~46.39. In some cases, used goods such as naval vessels, vehicles, computers or other equipment may be transferred to the ownership of an entity under an external assistance agreement. The original purchase price may not reflect fair value at the time the assets are transferred to the recipient because the assets may be several years old and have been used. In other cases, food aid~~

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may be provided under an external assistance agreement to an entity for distribution to its citizens. The price paid for the food by the external assistance agency may reflect prices in the provider's economy which may be different from the price for identical items in the recipient's economy. Fair value in the recipient's economy as of the date the recipient gains control of the assets ~~will be determined and used as the basis for reporting the value of goods received~~ will provide a relevant measure of the value, in financial terms, of the assistance provided to the recipient by way of the transfer.-

~~23. In other cases, food aid may be provided under an external assistance agreement to an entity for distribution to its citizens. The price paid for the food by the external assistance agency may reflect prices in the provider's economy which may be different from the price for identical items in the recipient's economy. The fair value used to reflect the receipt of these goods will be the fair value for the specific goods provided in the recipient's economy as of the date of receipt.~~

~~48. Emergency relief goods and services provided during a time of crisis, such as war, famine or earthquake may not result from a written agreement between the provider of the goods and services and a recipient entity. In addition, the recipients may be individual citizens of a country in which case there is no receipt of goods or services by a government or entity reporting under this Standard. Where the government is identified as the recipient of emergency assistance, the value of goods or services received is disclosed in the notes to the financial statements.~~

~~49.40. **In some cases,** Market prices or other measures of fair value for goods or services received may not be determinable in the recipient's economy. ~~;~~ In which cases world market prices for internationally traded goods ~~will~~ may be used. as a measure of fair value for financial reporting purposes. Where goods are not internationally traded the fair value of the goods and services in the donor's economy ~~will~~ may be used.~~

*STAFF NOTE: Deleted paragraphs above could form the basis of encouragement paragraphs (but would specify that the disclosure was only encouraged, not required) in a Part 2 of the IPSAS if the same (Part 1 mandatory and Part 2 encouraged) format as in the Cash Basis IPSAS was adopted. Commentary paragraphs could then refer to the encouragement.*

## **Disclosure of Rescheduled or Cancelled External Assistance Debt**

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~~50. The entity shall disclose separately in the notes to the financial statements the amount of external assistance debt rescheduled or cancelled as part of a plan to restructure the entity's debt, together with the terms and conditions associated with the restructuring of the entity's debt.~~

~~51.41. An entity experiencing difficulty in servicing its external assistance debt may seek renegotiation of the terms and conditions of the debt. The entity is encouraged to disclose separately in the notes to the financial statements the amount of external assistance debt rescheduled or cancelled, together with any related terms and conditions. Such disclosure will alert users of the financial statements that such renegotiation has occurred, and if made in conjunction with other disclosures about terms and conditions encouraged by this standard, changes in the terms and conditions of debt. This will provide useful input to assessments of financial condition of the entity and changes therein. Separate disclosure of the restructuring arrangements, including the amount of external assistance debt rescheduled, cancelled or partly rescheduled cancelled, will be disclosed separately in the notes to the financial statements. A new set of terms and conditions covering the debt rescheduled, including the maturity date, interest rate, debt service payments and other conditions may result. The renegotiated or revised terms and conditions of the rescheduled external assistance debt will be disclosed separately in accordance with paragraphs 26 to 28 and 39 of this Standard.~~

*STAFF NOTE: Deleted paragraphs above could form the basis of encouragement paragraphs (but would specify that the disclosure was only encouraged, not required) in a Part 2 of the IPSAS if the same (Part 1 mandatory and Part 2 encouraged) format as in the Cash Basis IPSAS was adopted. Commentary paragraphs could then refer to the encouragement.*

## Transitional Provisions

~~52.42. Entities are not required to disclose separately in the notes to the financial statements the **opening or closing balance or changes during the period in the balance** of undrawn external assistance for a period of two years from the date of first adoption of this Standard.~~

~~53.43. Entities are not required to disclose comparative figures in the Statement of Cash Receipts and Payments or in the notes to the financial statements in the first year of application of this Standard.~~

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**54.44.** **When an entity applies the transitional provisions in paragraph 52 and/or 53, it shall disclose that fact.**

**55.45.** Entities that adopt this Standard for the first time may not have readily available, or reasonable access to, the information necessary to provide comparative information on initial application of this Standard, or to satisfy the requirements of this Standard to disclose the information about opening and closing balances of undrawn external assistance received, and changes therein during the reporting period. To provide for an orderly introduction of the requirements of this Standard, paragraph 52 provides relief from the requirements in paragraphs 22 to 24 for a period of two years from initial application. Paragraph 53 also provides relief from the requirement to disclose comparative figures in the first year of application of this Standard. However, to ensure users are informed of the extent to which the requirements of this Standard have been complied with, paragraph 54 requires that entities that make use of these transitional provisions disclose that they have done so.

### **Effective Date**

**56.46.** **This IPSAS becomes effective for annual financial statements covering periods beginning on or after XX XX 200X. Earlier application is encouraged.**

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## **Appendix 1: Illustration of the Disclosure of External Assistance by a Government**

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 years. 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.

***STAFF NOTE: THE ATTACHED ILLUSTRATES ONLY THE PROPOSED  
REQUIRED DISCLOSURES. THE ENCOURAGED DISCLOSURES HAVE  
BEEN STRUCK THROUGH.***

**TO BE UPDATED FOLLOWING IPSASB DIRECTIONS.**

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## External Assistance Received by a Government

**(Paragraphs 13, 14, 15 and 16)**

### CONSOLIDATED FINANCIAL STATEMENTS FOR GOVERNMENT A

#### CONSOLIDATED STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR YEAR ENDED 31 DECEMBER 200X

(RECEIPTS ONLY)

(in thousands of currency units)	Note	<-----200X----->			<-----200X-1----->		
		Cash Receipts	Payments by third parties	Total	Cash Receipts	Payments by third parties	Total
<b>RECEIPTS</b>							
<i><b>Taxation</b></i>							
Income tax		X	-	X	X	-	X
Value-added tax		X	-	X	X	-	X
Property tax		X	-	X	X	-	X
Other taxes		X	-	X	X	-	X
		X	-	X	X	-	X
<i><b>External Assistance</b></i>							
Borrowed Funds	1						
Multilateral agencies		X	X	X	X	X	X

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(in thousands of currency units)	Note	<-----200X----->			<-----200X-1----->		
		Cash Receipts	Payments by third parties	Total	Cash Receipts	Payments by third parties	Total
Bilateral agencies		X	X	X	X	X	X
Grants							
Multilateral agencies		X	X	X	X	X	X
Bilateral agencies		X	X	X	X	X	X
<i>Total External Assistance</i>		X	X	X	X	X	X
<b><i>Capital Receipts</i></b>							
Proceeds from disposal of plant and equipment		X	-	X	X	-	X
<b><i>Trading Activities</i></b>							
Receipts from trading activities		X	-	X	X	-	X
<b><i>Other receipts</i></b>		X	-	X	X	-	X
<b>Total receipts</b>		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

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### Note 1 External Assistance

#### (Paragraphs 13, 15, and 16)

External assistance was received from Multilateral and Bilateral External Assistance Agencies under agreements specifying that the assistance would be utilized for the following purposes. External assistance was received primarily as development assistance and emergency assistance

	<u>200X</u>					Total
	Development Assistance	Trade Finance	Emergency Assistance	Military Assistance	Bal of Pay Assistance Other	
<b><u>Borrowed Funds</u></b>						
Multilateral Agencies	X	-	-	-	X	X
Bilateral Agencies	X	X	-	X	-	X
Total	X	X	-	X	X	X
<b><u>Grant Funds</u></b>						
Multilateral Agencies	X	-	X	-	-	X
Bilateral Agencies	X	-	X	X	-	X
Total	X	-	X	X	-	X
<b>Total External Assistance</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

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	<b>200X-1</b>						
	<b>Development Assistance</b>	<b>Trade Finance</b>	<b>Emergency Assistance</b>	<b>Military Assistance</b>	<b>Bal-of-Pay Assistance</b>	<b>Other</b>	<b>Total</b>
<b><u>Borrowed Funds</u></b>							
Multilateral Agencies	X	-	-	-	X		X
Bilateral Agencies	X	X	-	X	-		X
Total	X	X	-	X	X		X
<b><u>Grant Funds</u></b>							
Multilateral Agencies	X	-	-	-	-		X
Bilateral Agencies	X	-	-	-	-		X
Total	X	-	-	-	-		X
<b>Total External Assistance</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>

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**Note 2 Undrawn External Assistance** **STAFF NOTE – REQUIRED DISCLOSURES OF UNDRAWN BALANCE ILLUSTRATED. ENCOURAGED COMPONENTS STRUCK THROUGH**

**(Paragraphs 22, 23, and 33)**

Undrawn external assistance – Loans

Undrawn external assistance loans consist of the amount of external assistance loans agreed with external assistance agencies that have not been utilized at the close of the fiscal year. ~~External assistance cancelled resulted from overestimation of the cost of development projects and in the case of trade finance and military assistance from expired deadlines.~~

	<u>200X</u>					
	Development Assistance	Trade Finance	Emergency Assistance	Military Assistance	Bal. of Pay. Assistance	Total
<del>Opening balance</del>	<del>X</del>	<del>X</del>	<del>-</del>	<del>X</del>	<del>X</del>	<del>X</del>
<del>External assistance approved</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>
<del>Total available</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>
<del>External assistance received</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>
<del>External assistance cancelled</del>	<del>(X)</del>	<del>(X)</del>	<del>-</del>	<del>(X)</del>	<del>-</del>	<del>(X)</del>
<del>Exchange difference</del>	<del>X</del>	<del>X</del>	<del>-</del>	<del>X</del>	<del>X</del>	<del>X</del>
Closing balance	<u>X</u>	<u>X</u>	<u>-</u>	<u>X</u>	<u>X</u>	<u>X</u>
Closing balance available by currency						
US Dollar	X	X	-	X	X	X
Euro	X	X	-	X	-	X

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Yen	X	X	-	-	-	X
Other	X	-	-	-	-	X
Total	<u>X</u>	<u>X</u>	<u>-</u>	<u>X</u>	<u>X</u>	<u>X</u>

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	<u>200X-1</u>					
	Development Assistance	Trade Finance	Emergency Assistance	Military Assistance	Bal. of Pay. Assistance	Total
Opening balance	X	X	-	-	X	X
External assistance approved	X	X	-	X	X	X
Total available	X	X	-	X	X	X
External assistance received	X	X	-	X	X	X
External assistance cancelled	(X)	(X)	-	-	-	X
Exchange difference	X	X	-	X	X	X
Closing balance	X	X	-	X	X	X
Closing balance available by currency						
US Dollar	X	X	-	X	X	X
Euro	X	X	-	X	-	X
Yen	X	X	-	-	-	X
Other	X	-	-	-	-	X
Total	X	X	-	X	X	X

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Undrawn external assistance – Grants

Undrawn external assistance grants consist of the amount of external assistance grants agreed with external assistance agencies that has not been utilized at the close of the respective fiscal year ends.

	<u>200X</u>					
	Development Assistance	Trade Finance	Emergency Assistance	Military Assistance	Bal. of Pay. Assistance	Total
<del>Opening balance</del>	<del>X</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>X</del>
<del>External assistance approved</del>	<del>X</del>	<del>-</del>	<del>X</del>	<del>X</del>	<del>-</del>	<del>X</del>
<del>Total available</del>	<del>X</del>	<del>-</del>	<del>X</del>	<del>X</del>	<del>-</del>	<del>X</del>
<del>External assistance received</del>	<del>X</del>	<del>-</del>	<del>X</del>	<del>X</del>	<del>-</del>	<del>X</del>
<del>External assistance cancelled</del>	<del>(X)</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>(X)</del>
<del>Exchange difference</del>	<del>X</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>X</del>
Closing balance	<u>X</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>X</u>
Closing balance available by currency						
US Dollar	X	-	-	-	-	X
Euro	X	-	-	-	-	X
Yen	X	-	-	-	-	X
Other	X	-	-	-	-	X

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Total	<u>X</u>	<u>X</u>	<u>-</u>	<u>-</u>	<u>X</u>	<u>X</u>
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	<u>200X-1</u>					
	Development Assistance	Trade Finance	Emergency Assistance	Military Assistance	Bal. of Pay. Assistance	Total
Opening balance	X	-	-	-	-	X
External assistance approved	X	-	-	-	-	X
Total available	X	-	-	-	-	X
External assistance received	X	-	-	-	-	X
External assistance cancelled	(X)	-	-	-	-	(X)
Exchange difference	X	-	-	-	-	-
Closing balance	X	-	-	-	-	X
Closing balance available by currency						
US Dollar	X	-	-	-	-	X
Euro	X	-	-	-	-	X
Yen	X	-	-	-	-	X
Other	-	-	-	-	-	-
Total	X	-	-	-	-	X

Undrawn external assistance – Guarantees

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~~Guarantees issued by the Government of YYYY covering undrawn commercial export financing at the end of 200X in the amount of US Dollars XXX (200X-1: US Dollars Nil) is not included in the above tables.~~

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**Note 3 Access to External Assistance** STAFF NOTE ENCOURAGED COMPONENTS STRUCK THROUGH. Para 1.4.9(c) of the Cash Basis IPSAS requires disclosure of restrictions on use of undrawn borrowing facilities and arguably can justify disclosure retained here.

**(Paragraphs 26, 27, 28, 33 and 36)**

#### General Restrictions

The balance of ~~commitments or~~ undrawn 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 as the basis for receipt of balance of payments assistance. The plan includes a poverty reduction strategy which is supported by the donor community. The Government and the donors have agreed targets for reducing the fiscal deficit to sustainable levels within five years through a program of tax reforms, sale of state owned enterprises and by focusing expenditures within the poverty reduction strategy. Fiscal expenditures will be increased for the agricultural, health and education sectors. The Government and the donor community have agreed on methods to monitor progress to achieve agreed targets and have agreed to 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.~~

~~The tables below indicate the extent to which external assistance is subject to agreed actions or performance targets. After adherence to these agreed actions or performance targets, the funds then become available and may be used to procure goods or services, subject to certain procurement restrictions described below.~~

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	<b>200X</b>			<b>200X-1</b>		
	<b>Balance of Payments or Budget Support</b>			<b>Specific Purpose</b>		
	<b><u>Loans and Grants</u></b>			<b><u>Loans and Grants</u></b>		
	<b><u>Unrestricted Subject to</u></b>	<b><u>Total</u></b>	<b><u>Unrestricted Subject to</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
Development Assistance	X	X	X	-	X	X
Trade Finance	-	-	-	-	X	X
Military Assistance	-	-	-	-	X	X
Balance of Payments Assistance	-	X	X	-	-	-
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>X</b>
Development Assistance	X	X	X	-	X	X
Trade Finance	-	-	-	-	X	X
Military Assistance	-	-	-	-	X	X
Balance of Payments Assistance	-	X	X	-	-	-
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>X</b>

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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.

	<b>Balance of Payments or Budget Support</b>			<b><u>200X</u></b>		
	<b><u>Loans and Grants</u></b>			<b><u>Specific Purpose</u></b>		
	<b><u>Unrestricted</u></b>	<b><u>Subject to</u></b>	<b><u>Total</u></b>	<b><u>Unrestricted</u></b>	<b><u>Subject to</u></b>	<b><u>Total</u></b>
Development Assistance	-	X	X	-	X	X
Trade Finance	-	-	-	-	X	X
Military Assistance	-	-	-	-	X	X
Balance of Payments Assistance	X	-	X	-	-	-
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>X</b>

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	<u>200X-1</u>					
	<b>Balance of Payments or Budget Support</b>			<b>Specific Purpose</b>		
	<u>Loans and Grants</u>			<u>Loans and Grants</u>		
	<u>Unrestricted</u>	<u>Subject to</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Subject to</u>	<u>Total</u>
Development Assistance	-	X	X	-	X	X
Trade Finance	-	-	-	-	X	X
Military Assistance	-	-	-	-	X	X
Balance of Payments Assistance	X	-	X	-	-	X
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>X</b>	<b>X</b>

Guarantees

~~Guarantees issued by the Government of YYYY covering a commercial debt in the amount of US Dollars XXX (200X-1: US Dollars Nil) applies only to goods manufactured in YYYY.~~

Non-Compliance with Covenants or Restrictions

The Government's expenditures in the education sector did not meet the investment target 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.

## **STAFF NOTE – NOW AN ENCOURAGED DISCLOSURE Note**

### **4 Debt Service Obligations**

#### **(Paragraphs 39 and 40)**

~~Development Assistance terms include grace periods which range from at least five years to a maximum of seven years. Interest rates include both fixed rates and variable rates. All development assistance debt are denominated in US Dollars. Interest rates on fixed rate loans, as of fiscal year ending 200X range from 5.25 percent to 6.75 percent with a weighted average of 5.95 percent. For the fiscal year ending 200X-1, they range from 5.25 percent to 6.70 with a weighted average of 5.92 percent. Interest rates on variable rate loans range from LIBOR plus 1 percent to LIBOR plus 1.25 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 percent. Some development assistance credits include a grace period of ten years and are interest free but a service charge of 0.75 percent applies.~~

Major features of trade finance debt are:

- ~~•Trade 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.~~

~~Military Assistance terms do not include grace periods. Interest rates are fixed. They range from 8.0 percent to 8.85 percent for debt denominated in US Dollars, with a weighted average of 8.43 percent; and 8.0 percent to 8.75 percent for debt denominated in Euros, with a weighted average of 8.45 percent.~~

~~Balance of Payments Assistance does not include a grace period and is all denominated in 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.~~

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	<u>200X</u>			
	<b>Outstanding Debt by Remaining Grace Period Years</b>			
	<b>Expired</b>	<b>0—4</b>	<b>5—7</b>	<b>Total</b>
Development Assistance	X	X	X	X
Trade Finance	X	-	-	X
Military Assistance	X	-	-	X
Balance of Payments Assistance	X	-	-	X
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

	<u>200X-1</u>			
	<b>Outstanding Debt by Remaining Grace Period Years</b>			
	<b>Expired</b>	<b>0—4</b>	<b>5—7</b>	<b>Total</b>
Development Assistance	X	X	X	X
Trade Finance	X	-	-	X
Military Assistance	X	-	-	X
Balance of Payments Assistance	X	-	-	X
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

Development Assistance loans have repayment periods varying from 20 years to 25 years subsequent to the grace period with a weighted average for outstanding debt of 27.7 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 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.

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

Balance of Payments Assistance loans include a Poverty Reduction and Growth Facility with a repayment period of 9 years and an Extended Fund Facility with a repayment period of 6 years. In both cases debt service is based on a fixed payment of principal plus interest accrued.

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	<u>200X</u>				
	<del>Debt Service Payments Including Interest</del>				
	US				
	<del>Dollar</del>	<del>Euro</del>	<del>Yen</del>	<del>Other</del>	<del>Total</del>
Development Assistance	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>
Trade Finance	<del>X</del>	<del>X</del>	<del>X</del>	<del>-</del>	<del>X</del>
Military Assistance	<del>X</del>	<del>X</del>	<del>-</del>	<del>-</del>	<del>X</del>
Balance of Payments Assistance	<del>X</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>X</del>
<b>Total</b>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>

	<u>200X-1</u>				
	<del>Debt Service Payments Including Interest</del>				
	US				
	<del>Dollar</del>	<del>Euro</del>	<del>Yen</del>	<del>Other</del>	<del>Total</del>
Development Assistance	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>
Trade Finance	<del>X</del>	<del>X</del>	<del>X</del>	<del>-</del>	<del>X</del>
Military Assistance	<del>X</del>	<del>X</del>	<del>-</del>	<del>-</del>	<del>X</del>
Balance of Payments Assistance	<del>X</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>X</del>
<b>Total</b>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>

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.

	<u>200X + 1 and Subsequent Years</u>				
	<del>Debt Service Payments Including Interest</del>				
	US				
	<del>Dollar</del>	<del>Euro</del>	<del>Yen</del>	<del>Other</del>	<del>Total</del>
Development Assistance	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>
Trade Finance	<del>X</del>	<del>X</del>	<del>X</del>	<del>-</del>	<del>X</del>
Military Assistance	<del>X</del>	<del>X</del>	<del>-</del>	<del>-</del>	<del>X</del>
Balance of Payments Assistance	<del>X</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>X</del>
<b>Total</b>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>	<del>X</del>

**STAFF NOTE – NOW AN ENCOURAGED DISCLOSURE****Note 5 Receipt of Goods and Services In-Kind****(Paragraph 44)**

~~During 200X, a severe earthquake occurred in the ZZZ Region inflicting serious damage to government property and private property, and significant loss of life. 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 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 2: Illustration of the Disclosure of External Assistance  
by a Project Specific Entity**

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 project specific entity that has received external assistance loans and grants during the current and preceding years. 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.

INTERNATIONAL PUBLIC SECTOR  
ACCOUNTING STANDARD BOARD IPSAS XX

## Illustration of the Disclosure of External Assistance by a Project Specific Entity

### Development Assistance Re-lent to an Individual Project

**URBAN WATER SUPPLY PROJECT**  
**STATEMENT OF RECEIPTS AND PAYMENTS**  
**(RECEIPTS ONLY)**

	<u>200X</u>				<u>200X-1</u>			
	Cash Receipts	Paid by Third Party		Total	Cash Receipts	Paid by Third Party		Total
		Related	Unrelated			Related	Unrelated	
MMM Development Bank	-	-	X	X	-	-	X	X
CCC Bilateral Agency	-	-	X	X	-	-	X	X
National Government	X	X	-	X	X	X	-	X
<b>Total</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

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## Note 1 - Undrawn External Assistance

### (Paragraph 22 and 23)

Undrawn external assistance consists of development assistance agreed to be provided by the National Government to fund the Urban Water Supply System from funds lent to the National Government by the MMM Development Bank, the CCC Bilateral Agency and from its own resources. Funds provided from the MMM Development Bank and the CCC Bilateral Agency have been lent by the National Government to the Urban Government in the currencies received from the external assistance agencies.

Changes in undrawn external assistance:

	200X			200X-1		
	Loan	Grant	Total	Loan	Grant	Total
Opening balance	X	X	X	X	X	X
Additional development assistance	-	X	X	-	-	X
Total available	X	X	X	X	X	X
Development assistance utilized	X	X	X	X	X	X
Development assistance cancelled	-	(X)	(X)	(X)	(X)	(X)
Exchange difference	X	X	X	X	X	X
Closing balance	X	X	X	X	X	X

Undrawn External Assistance originated from the following sources and is denominated in the following currencies:

	200X			
	US Dollar	Euro	Local	Total
MMM Development Bank	X	-	-	X
CCC Bilateral Agency	-	X	-	X
National Government	-	-	X	X
Closing Balance	X	X	X	X

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	<b>200X-1</b>			
	<b>US Dollar</b>	<b>Euro</b>	<b>Local</b>	<b>Total</b>
MMM Development Bank	X	-	-	X
CCC Bilateral Agency	-	X	-	X
National Government	-	-	X	X
Closing Balance	X	X	X	X

## **Note 2 - Restrictions on Development Assistance** **NOW AN ENCOURAGED DISCLOSURE**

**(Paragraphs 26, 27 and 36)**

### General Restrictions

~~Loans provided by the National Government are on the same terms and conditions as the original loan from the external assistance agencies. Loans originating from the MMM Development Bank and the CCC Bilateral Agency require that the water supply utility set water tariffs at a level to cover the cost of providing potable water, the proper maintenance of all assets and to provide a reasonable contribution to the replacement and renewal of existing assets. Both loans are guaranteed by the National Government for which a fee of 0.25 percent of the outstanding loan amount is charged. No other conditions result from the guarantee. Additional funds from the National Government have been provided as a grant.~~

### Procurement Restrictions

~~Procurement financed under the MMM Development Bank loan is limited to an agreed list of water purification equipment, distribution pipes and other equipment as well as services needed to increase the capacity of the water supply system to agreed levels. All procurement must take place utilizing agreed international competitive bidding procedures. All goods and services must be manufactured in or supplied from one or more of the 55 member countries of the MMM Development Bank.~~

~~Procurement financed under the CCC Bilateral Agency loan is limited to financing a contract to develop a ground water field on land owned by the city and leased to the utility. The services must be procured from a firm located in CCC Country using agreed competitive bidding procedures, except that up to twenty percent of the agreed loan amount may be used to procure domestic goods and services ancillary to the main drilling contract.~~

~~Procurement utilizing funds from the National Government grant must follow standard government procurement regulations.~~

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### Compliance with Loan Covenants

The Urban Water Supply System has complied with all loan covenants including performance covenants and other covenants requiring submission of audited annual financial statements and has followed all respective procurement regulations.

### **Note 3—Debt Service Obligations**

#### (Paragraphs 39 and 40)

~~Development Assistance received from the National Government utilizes funds originating from the MMM Development Bank and the CCC Bilateral Agency on the same terms and conditions as received by the National Government from these respective external assistance agencies.~~

~~The loan originating from the MMM Development Bank, for an amount not to exceed US \$XXX (XXXX Domestic currency units), has been drawn down in various currencies equivalent to US \$XX (XXX Domestic currency units) to pay suppliers in their required currencies. Interest is payable semi-annually at a rate of 5.75 percent on the outstanding balance. The loan is currently within the second year of a five year grace period. Interest payable during the grace period is financed under the loan. Debt service will commence in 200X+6 based on fixed semi-annual payments for 20 years plus accrued interest.~~

~~The loan originating from the CCC Bilateral Agency, for an amount not to exceed Euro XXX (XXXX Domestic currency units), has been drawn down to pay the foreign drilling contract and domestic contractors in the amount of Euro XX (XXX Domestic currency units). The loan is in the second year of a five year grace period. Interest is accruing at the rate of 5.50 percent and is payable semi-annually. Interest is financed from the proceeds of the grant from the National Government during the grace period. Debt service will commence in 200X+6 based on fixed semi-annual payments for 15 years plus accrued interest.~~

~~Debt service payments for 200X+6 and subsequent years are based on a fixed payment of principal plus accrued interest. Interest payments are based on the estimated outstanding balance of each loan at the end of year 200X+5 and the fixed interest rates set under each loan. Debt service payments denominated in foreign currencies have been determined by applying the closing rate of exchange on the date of these financial statements to the foreign currency amount.~~

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	<b>200X+6 and Subsequent Years</b>		
	<b>US Dollar</b>	<b>Euro</b>	<b>Total</b>
<del>MMM Development Bank</del>	<del>X</del>	<del>-</del>	<del>X</del>
<del>CCC Bilateral Agency</del>	<del>-</del>	<del>X</del>	<del>X</del>
<del>Closing Balance</del>	<del>X</del>	<del>X</del>	<del>X</del>

### Appendix 3: Rescheduled or Cancelled Debt

*This appendix discusses the circumstances involved in rescheduling or canceling sovereign debt and the impact on the entity's financial statements.*

1. The following terms are used in this appendix with the meaning specified:

Highly Indebted Poor Countries (HIPCs) 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.

2.23. 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 as well as the amount of medium to long term debt that will be addressed.

3.24. 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.

4.25. 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

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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 the regional development banks is not eligible for Paris Club consideration.

5.26. 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 (HIPC countries), the Paris Club will consider debt cancellation of up to 90% of remaining debt service obligations. HIPCs 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 prepay 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.

6.27. 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 HIPCs 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.

7.28. 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 renegotiated terms and conditions consistent with disclosure requirements specified in this Standard. The required note on compliance with all loan covenants should disclose the entity's inability to service its debt(s) and the principal terms of the rescheduling. Furthermore, any material additional terms and conditions resulting from, or in conjunction, with Paris Club negotiations or the HIPC Initiative, such as obligations under an IMF or World Bank loan including a Poverty Reduction Strategy Plan, should be disclosed. Rescheduling or cancellation of sovereign debt due to an immediate or anticipated inability to service the debt is a material event and should be fully disclosed in the notes to the financial statements.

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- | 8.29. 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 a material event and should be shown separately in accordance with the provisions of this Standard with a reference to the note describing the debt relief.
  
- | 9.30. Further information regarding the Paris Club may be obtained from their website <http://www.clubdeparis.org/en/>.

***STAFF NOTE – THE BASIS FOR CONCLUSION HAS NOT  
BEEN UPDATED*****Appendix 4: Basis for Conclusions**

*This appendix gives reasons for supporting or rejecting certain solutions related to disclosure of external assistance by recipients. It refers to the Public Sector Committee (PSC) of IFAC as well as to the International Public Sector Accounting Standards Board (IPSASB). At its November 2004 meeting, the IFAC Council approved a change in the name of the PSC, to the IPSASB.*

**Introduction – The Need for this Standard**

- BC1. Providers of external assistance, particularly development assistance, require recipients to follow accounting principles acceptable to them for the use of the funds provided. In some cases, they require the recipient to follow accounting standards generally practiced in the donor country – including the accrual basis of accounting when the recipient’s accounting system is on the cash basis of accounting. Consequently, the recipient may maintain two sets of accounts, one for the provider of the assistance and a second utilizing national public sector accounting standards to meet domestic legal requirements and for submission to local authorities.
- BC2. Recipients of external assistance usually receive assistance from a number of sources. Adhering to a number of different accounting practices and reporting requirements within a portfolio of projects imposes additional compliance costs on recipients, which in many cases have insufficient staff with the requisite skills. Consequently, timely submission of required financial statements is often delayed.
- BC3. In some cases, providers of external assistance, that rely on the recipient’s national public sector accounting standards, receive financial statements from their portfolio of projects that are prepared on a number of different bases. In some cases, these financial statements are not sufficiently transparent or complete to permit a meaningful assessment of the receipt and use of assistance funds. Where the financial statements isolate and account for only the provider’s funds, the financial statements may not present a holistic view of the project’s total investment cost and all sources of funding. The IPSASB is of the view that narrowly focused financial statements do not indicate the extent to which the reporting entity is “aid dependent”.

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BC4. The IPSASB is of the view that the preparation of financial statements in accordance with an International Public Sector Accounting Standard (IPSAS) on external assistance provides a mechanism to:

- Increase the comparability and usefulness of the financial information to users of the statements; and
- Reduce the costs that recipients of such assistance face in complying with the different reporting requirements that may be imposed on them by providers of assistance.

### **Cash and Accrual Bases of Accounting**

BC5. The IPSASB developed this proposed Standard in response to a request from the OECD Development Assistance Committee and the Multilateral Development Banks' Financial Harmonization Working Group. It responds to a common need for the development of an international generally accepted accounting standard addressing the receipt of external assistance by governments and other public sector entities which adopt the cash basis of accounting. The vast majority of recipients of external assistance utilize the cash basis of accounting.

BC6. Some entities that receive external assistance use the accrual basis of accounting or are in the process of conversion to the accrual basis of accounting. The IPSASB is currently progressing a project on accounting for non-exchange revenue under the accrual basis of accounting. That project will lead to requirements that will establish broad principles applicable to accounting for external assistance under the accrual basis of accounting. The IPSASB will consider whether additional requirements on accounting for, and/or disclosure of, external assistance by recipients is necessary as the non-exchange revenue and other key accrual accounting standards are developed, and in light of relevant issues that might be identified in the course of the development of this IPSAS.

### **Scope of this Standard and Definition of External Assistance**

BC7. This project initially focused on development assistance. The PSC's Project Advisory Panel, and other major constituents, advocated that the scope of the project be widened to address all official external assistance, and require disclosure of major components of external assistance. The PSC responded positively to that input and expanded the scope of the exposure draft to include all official external assistance.

BC8. External assistance has been defined as official resources originating from multilateral agencies or from governments or government agencies. In developing this definition, the IPSASB considered definitions widely used in practice including those of major recipients, donors and industry

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representative organizations. While there is currently no single definition of external assistance adopted by all recipients and donors, the IPSASB is of the view that this definition captures the major features of the definitions currently in use, and is appropriate.

### **Disclosure of the Terms and Conditions of External Assistance Agreements**

BC9. This proposed IPSAS requires disclosure of the total amount of external assistance received in cash or paid to settle third party claims during the period. It also requires the separate disclosure of the major classes thereof, being development assistance, trade finance, emergency assistance, military assistance and balance of payments assistance. The amounts of external assistance that have not yet been drawn down, and the terms and conditions that govern the draw down, or may otherwise limit access to external assistance, are also required to be disclosed. The IPSASB is of the view that these disclosures are necessary to adequately inform readers of the financial statements of the total amount of external assistance received, used and available during the reporting period, and are central to any assessment of the sustainability of ongoing operations. In this context, the IPSASB is of the view that:

- The 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 what those actions are. This will inform the reader that the entire amount of undrawn external assistance may not be available for immediate draw down in cash and will advise under what circumstances external assistance will be made available and whether it may be used for general budget purposes or must be used to finance specified investments.
- Disclosure of an entity's receipt of Balance of Payments Assistance indicates that concerns exist regarding its ability to meet or manage its foreign exchange reserve requirements. This may impact its ability to raise additional foreign capital, its ability to service debt denominated in foreign currency and its ability to import goods and services invoiced in foreign currency. Disclosure of the terms and conditions of a balance of payments agreement provide details of the performance criteria the entity must meet to access or continue accessing balance of payments assistance. Examples of the terms and conditions are macroeconomic targets including budget deficit targets, establishment of a financial sector asset recovery or management agency or other broad economic recovery and management objectives.

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- Information about noncompliance with any terms and conditions of the external assistance agreement together with the consequence of noncompliance will indicate whether external assistance may continue to be received and/or whether penalties may be imposed.

### **Third Party Settlements and Receipt of Goods and Services In-Kind**

BC10. Recipients of external assistance may receive the proceeds in cash as a lump sum or as tranches of the total agreed amount. In addition, particularly with project specific loans, the recipient may settle its obligations to suppliers of goods or services and ask the external assistance agency to reimburse it for the amounts paid, or the recipient may ask the external assistance agency to settle its obligations directly with the third party. The goods or services utilized in accomplishing the project are determined or otherwise selected by the recipient, usually within procurement rules agreed to by the recipient and the external assistance agency. In these circumstances, the external assistance agency operates as a financier. The IPSASB is of the view that these payments to third parties are similar to central treasury account payments of funds designated for use by the recipient. As such, the proposed IPSAS requires that they are reported in a separate column on the face of the Statement of Receipts and Payments.

BC11. In some cases, the external assistance agreement provides that the external assistance agency will provide specified goods or services to the recipient. The external assistance agency determines the specification of the goods or services, procures them, and then provides them to the recipients as goods or services in-kind. An important form of this type of assistance is food aid. The external assistance received is the goods or services offered. The external assistance agency does not provide cash to the recipient nor settle the recipient's obligations. In these cases, there is no cash transaction involving the recipient. Therefore, the receipt of goods or services in-kind is not reported on the face of the Statement of Receipts and Payments. However, the IPSASB is of the view that the receipt of goods or services may be an important source of external assistance, and this proposed Standard requires that the fair value of goods or services received in-kind be reported in the notes to the financial statements.

### **Transition period**

BC12. This proposed Standard applies only to entities reporting under the cash basis of accounting. However, it also requires note disclosure of such matters as opening and closing balances of undrawn external assistance. Best practices of program/project financial management include careful tracking of undrawn resources available to complete program/project

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objectives. However, opening and closing balances of undrawn external assistance may not be readily available in some recipient's records.

- BC13. Multilateral and bilateral agencies usually maintain detailed records of external assistance provided to each recipient under each external assistance agreement. In some cases, they maintain the information on computer data bases which are accessible by recipient country authorities. In most cases, they provide notification of the details of each transaction including the currency or currencies utilized.
- BC14. In some cases, this notification is sent only to the implementing agency and may not be sent to the Ministry of Finance or other agency responsible for the recipient's accounting. Usually external assistance agencies periodically confirm drawn and undrawn balances with the recipient. Therefore, although recipients may not initially have detailed information regarding opening and closing balances, the amount should be readily available from external assistance agencies. Information about the currencies used in a transaction involving external assistance is usually included in the notification of the transaction and daily exchange rates between major currencies. Exchange rates for the domestic currency of the recipient country against major currencies are also readily available for accounting for transactions denominated in a foreign currency. As such, the IPSASB is of the view that a two year transitional period will provide recipients sufficient time to access the information necessary to comply with the requirements of the Standard. However, the IPSASB acknowledges that in some cases it may not be practicable to gather all the relevant data about transactions and balances of previous periods and does not require that comparatives be prepared for the first year of operation of this Standard.

**SUMMARY OF ADDITIONAL SUBMISSIONS RECEIVED**  
**ED 24 - Disclosure Requirements for Recipients of External Assistance**

*Note: Comments identified in this analysis are drawn from only the additional submissions (submissions 27-33). Those submissions are bolded in the attached list. The analysis attempts to capture the major points made in each submission.*

*(An analysis of the original group of responses was prepared by the consultant for consideration at the IPSASB meeting in July 2005. That summary has been distributed separately to members, and is not reproduced here. All 33 responses received to ED 24 have also been distributed separately (in February 2006)).*

**Submissions Received**

**Country**

**(P) Professional Accounting Bodies and National Standards Setters**

1. Association of Chartered Certified Accountants (ACCA)	UK
2. Australian Accounting Standards Board (AASB)	AUS
3. Professional Accounting Body – Sweden (FAR)	Sweden
4. Accounting Standards Board (ASB)	South Africa
5. South African Institute of Chartered Accountants (SAICA)	South Africa
<b>27 Japanese Institute of CPAs</b>	<b>Japan</b>

**(G) Government Organizations**

1. Ministry of Finance, Azerbaijan	Azerbaijan
2. Treasury, Republic, Cyprus	Cyprus
3. Ministry of Finance, Bangladesh	Bangladesh
4. Swedish International Development Assistance (SIDA)	Sweden
5. Ministry of Finance	El Salvador
<b>28 Ministry of Finance</b>	<b>Uganda</b>
<b>32. Aid Agencies in Japan</b>	<b>Japan</b>
<b>33. New Zealand Ministry of Foreign Trade and Affairs</b>	<b>New Zealand</b>

**(A) Audit Institutions**

1. National Audit Office (NAO)	UK
2. Institute of Public Finance and Auditing (IPFA)	South Africa
3. Office of Auditor General (OAG)	Nepal
4. Office of Comptroller General and Auditor General (OCGAG)	Bangladesh

**(I) International and Regional Organizations**

1. Federation des Expert Comptables Europeens (FEE)	Europe
2. East and South African Association of Accountants General (ESAAG)	East and South Africa
3. World Bank (IBRD)	Multilateral
<b>29. IFAC Developing Nations Task Force</b>	<b>International</b>

**(O) Other Individuals and Organizations**

1. Erik Peters	Canada
2. T. Kawakami	Japan
3. M. Sugimoto	Japan
4. Nestor A. Columbus	Argentina
5. Grant Thornton	International
6. Carmen Palladino	Argentina
7. Nelsen Camsen and Jose Allende	Chile
8. Mohamed Osman Abdelrahman Medani	Sudan
9. Juan Manuel Fabra Valles	Luxemburg
<b>30. Ho-bum Pyon (IPSASB Consultative Group)</b>	<b>CAPA</b>
<b>31 J. Kirwin (IPSASB Consultative Group)</b>	<b>Papua New Guinea</b>

**SPECIFIC MATTERS FOR COMMENT**

1. Whether the proposed definition of “external assistance” in paragraph 5 is sufficiently broad to encompass all official resources received

		Additional	Original	Total
Definition is sufficiently broad	A	6	18	24
Definition is not sufficiently broad	B	0	0	0
Definition is largely sufficient with some improvement	C	0	0	0
Disagrees with definition	D	0	3	3
No specific response	E	1	5	6
<b>Total</b>		<b>7</b>	<b>26</b>	<b>33</b>

Percentage agreeing with proposal – out of total responses 73%

Percentage agreeing with proposal – excluding no responses 89%

**ADDITIONAL RESPONSES RECEIVED POST JUNE 30, 2005**

27	Japanese Institute of CPAs	A	
28	Ministry of Finance, Uganda	A	Concern re definitions of NGO, official resources. Proposes change “re-lent” to “on-lent”
29	IFAC DNPTF	A	But specification of components is too complex
30	Ho-bum Pyon, IPSASB Consultative Group (CG)	A	
31	Jim Kirwin, IPSASB Consultative Group (CG)	A	Suggests some elaboration
32	Japanese Aid Agency	E	
33	NZ Ministry of Foreign Affairs & Trade	A	

**SPECIFIC MATTERS FOR COMMENT**

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

		Additional	Original	Total
Agree with disclosure requirement	A	3	15	18
Agree with some discretion or vary some aspects	B	0	0	0
Disagree with disclosure requirement	C	3	5	8
No specific response	D	1	6	7
<b>Total</b>		<b>7</b>	<b>26</b>	<b>33</b>

Percentage agreeing with proposal – out of total responses 55%

Percentage agreeing with proposal – excluding no responses 69%

**ADDITIONAL RESPONSES RECEIVED POST JUNE 30, 2005**

27	Japanese Institute of CPAs	A	Clarify disclosure when NGO acts as agent of official assistance – as “in-kind service”
28	Ministry of Finance, Uganda	A	But note that disclosure of assistance from NGO is discretionary
29	IFAC DNPTF	C	Should include NGO within definition
30	Ho-bum Pyon, IPSASB Consultative Group (CG)	C	Should include for transparency
31	Jim Kirwin, IPSASB Consultative Group (CG)	C	Should include as a separate class of donor
32	Japanese Aid Agency	D	
33	NZ Ministry of Foreign Affairs & Trade	A	Define NGO assistance separately

**SPECIFIC MATTERS FOR COMMENT**

3. Whether the Exposure Draft should specify the categories of external assistance as required in paragraphs 13-15 or only require the disclosure of external assistance by “major classes” without further specification.

		Additional	Original	Total
Agree with disclosure requirement	A	2	12	14
Agree with some disclosure but make discretionary	B	1	2	3
Only Require “Major Classes” without specification	C	3	3	6
Disagree with disclosure requirement	D	0	5	5
No specific response	E	1	4	5
<b>Total</b>		<b>7</b>	<b>26</b>	<b>33</b>

Percentage agreeing with proposal – out of total responses 42%

Percentage agreeing with proposal – excluding no responses 50%

**ADDITIONAL RESPONSES RECEIVED POST JUNE 30, 2005**

27	Japanese Institute of CPAs	C	Use categories in ED in an example to illustrate possible disclosure
28	Ministry of Finance, Uganda	B	Military and emergency assistance should be discretionary
29	IFAC DNPTF	C	
30	Ho-bum Pyon, IPSASB Consultative Group (CG)	A	But by major class also acceptable
31	Jim Kirwin, IPSASB Consultative Group (CG)	A	Also allow for additional classes
32	Japanese Aid Agency	E	
33	NZ Ministry of Foreign Affairs & Trade	C	Also disclosure of “provider” by major class

**SPECIFIC MATTERS FOR COMMENT**

4. The proposal to disclose the balance of, and changes in, undrawn external assistance during the period (paragraph 22).

		Additional	Original	Total
Agree with disclosure requirement	A	3	13	16
Agree with some disclosure but make discretionary or vary some aspects	B	4	5	9
Disagree with disclosure requirement	C	0	2	2
No specific response	D	0	6	6
<b>Total</b>		<b>7</b>	<b>26</b>	<b>33</b>

Percentage agreeing with proposal – out of total responses 48%

Percentage agreeing with proposal – excluding no responses 59%

**ADDITIONAL RESPONSES RECEIVED POST JUNE 30, 2005**

27	Japanese Institute of CPAs	B	Require balance but only encourage disclosure of “changes in”. Use exchange rate at reporting date for translation and do not require comparatives
28	Ministry of Finance, Uganda	A	Clarify that may encompass other assistance in addition to specified categories
29	IFAC DNPTF	B	Balance not required but disclose “changes in” balances. Should also require disclosure of lapsed, and lapsed but not renewed assistance
30	Ho-bum Pyon, IPSASB Consultative Group (CG)	A	
31	Jim Kirwin, IPSASB Consultative Group (CG)	A	Consider also disclosure related to assistance in kind
32	Japanese Aid Agency	B	Translation at exchange rate at reporting date
33	NZ Ministry of Foreign Affairs & Trade	B	Disclosure by class of donor rather than type of assistance

**SPECIFIC MATTERS FOR COMMENT**

5. The proposal to disclose the terms and conditions of external assistance agreements as required by paragraphs 26-28 and any non-compliance thereof (paragraph 36).

		Additional	Original	Total
Agree with disclosure requirement	A	2	16	18
Agree with some disclosure but make discretionary	B	4	5	9
Disagree with disclosure requirement	C	1	0	1
No specific response	D	0	5	5
<b>Total</b>		<b>7</b>	<b>26</b>	<b>33</b>

Percentage agreeing with proposal – out of total responses 55%  
 Percentage agreeing with proposal – excluding no responses 64%

**ADDITIONAL RESPONSES RECEIVED POST JUNE 30, 2005**

27	Japanese Institute of CPAs	B	Exclude diplomatic and military material which may be “sensitive”
28	Ministry of Finance, Uganda	B	Concerns about confidentiality clauses and detail of disclosure. Supports para 36 disclosure when penalty applies
29	IFAC DNPTF	B	Only major terms and conditions. Delete paras 27 and 28.
30	Ho-bum Pyon, IPSASB Consultative Group (CG)	B	Delete para 28 (Balance of Payment disclosures)
31	Jim Kirwin, IPSASB Consultative Group (CG)	A	But link non compliance disclosure to those that “jeopardize continuity of assistance”
32	Japanese Aid Agency	C	This is contrary to practice re loan agreements
33	NZ Ministry of Foreign Affairs & Trade	A	

**SPECIFIC MATTERS FOR COMMENT**

6. Whether the proposals in paragraph 44 as noted below are appropriate:
- (a) To disclose the fair value of non-cash goods in kind; and
- (b) That fair value should be based on the prices of equivalent goods or services in the recipient country.

		Additional	Original	Total
Agree with disclosure requirement	A	2	12	14
Agree with some disclosure but make discretionary or vary some aspects	B	4	4	8
Disagree with disclosure requirement	C	1	5	6
No specific response	D	0	5	5
<b>Total</b>		<b>7</b>	<b>26</b>	<b>33</b>

Percentage agreeing with proposal – out of total responses 42%

Percentage agreeing with proposal – excluding no responses 50%

**ADDITIONAL RESPONSES RECEIVED POST JUNE 30, 2005**

27	Japanese Institute of CPAs	B	But discretion in determining fair value if fair value in domestic economy not available
28	Ministry of Finance, Uganda	B	Cost and practicality are the concern
29	IFAC DNPTF	C	Physical measures likely to be of greater use
30	Ho-bum Pyon, IPSASB Consultative Group (CG)	A	But also disclose physical quantities
31	Jim Kirwin, IPSASB Consultative Group (CG)	A	Add a disclosure of basis of valuation
32	Japanese Aid Agency	B	This is not a major issue given that much aid in cash. Where services provided in kind, a dollar amount can be determined
33	NZ Ministry of Foreign Affairs & Trade	B	Too onerous for all recipients – specify it applies only to in kind assistance documented in agreements and allow relief for least development recipients

**SPECIFIC MATTERS FOR COMMENT**

7. Whether the disclosures proposed are appropriate. If the disclosures are considered excessive, the IPSASB would welcome input on which disclosures should not be required. The IPSASB would also welcome input on any key disclosures that have not been dealt with and should be required.

		Additional	Original	Total
Agree with disclosure requirement	A	2	12	14
Agree with some disclosure but make discretionary	B	2	5	7
Disagree with disclosure requirement	D	3	3	6
No specific response	E	0	6	6
<b>Total</b>		<b>7</b>	<b>26</b>	<b>33</b>

Percentage agreeing with proposal – out of total responses 42%

Percentage agreeing with proposal – excluding no responses 52%

**ADDITIONAL RESPONSES RECEIVED POST JUNE 30, 2005**

27	Japanese Institute of CPAs	C	Too excessive – revise to respond to input from constituents
28	Ministry of Finance, Uganda	B	
29	IFAC DNPTF	C	Too complex as is
30	Ho-bum Pyon, IPSASB Consultative Group (CG)	A	
31	Jim Kirwin, IPSASB Consultative Group (CG)	A	Also proposes additional disclosure
32	Japanese Aid Agency	C	Concern too complex
33	NZ Ministry of Foreign Affairs & Trade	B	Too onerous for many recipients. Allow relief for least developed countries

**SPECIFIC MATTERS FOR COMMENT**

8. Whether the proposal in paragraph 52:

- (a) For a transition period of two years is sufficient to apply this Standard. Is a longer transitional period necessary to ensure that the appropriate authorities in each recipient country are able to access the data necessary to properly account for external assistance?
- (b) To exempt the requirement to disclose comparative figures during the first year of application of this Standard is appropriate.

		Additional	Original	Total
Agree with both	A	4	15	19
Agree but recommend longer period	B	2	4	6
Disagrees	C	0	0	0
No specific response	D	1	7	8
<b>Total</b>		<b>7</b>	<b>26</b>	<b>33</b>

Percentage agreeing with proposal – out of total responses 58%

Percentage agreeing with proposal – excluding no responses 76%

**ADDITIONAL RESPONSES RECEIVED POST JUNE 30, 2005**

27	Japanese Institute of CPAs	A	But could extend based on preparer views
28	Ministry of Finance, Uganda	B	3 year period
29	IFAC DNPTF	A	But note comments that standard too complex as is
30	Ho-bum Pyon, IPSASB Consultative Group (CG)	A	
31	Jim Kirwin, IPSASB Consultative Group (CG)	A	
32	Japanese Aid Agency	D	
33	NZ Ministry of Foreign Affairs & Trade	B	For some countries a longer period

**ADDITIONAL ISSUES RAISED BY RESPONDENTS POST JUNE 30, 2005**

27	Japanese Institute of CPAs	Explain that cash includes proceeds – when goods in-kind are sold. Disclose that in-kind goods from NGOs (acting as agent) may come from aid agency funds
28	Ministry of Finance, Uganda	Clarify whether mandatory or encouraged. Incorporate/reflect requirements in cash basis IPSAS. Include definition of donor agency. Strong support for para 18 which reinforces disclosure of major classes of providers (as per para 15). Clarify paras 33, 50 and 51.
29	IFAC DNPTF	Combine with cash basis IPSAS. Concern about definition of GBE. Include definition of public sector entity in the IPSAS (currently in Preface)
30	Ho-bum Pyon, IPSASB Consultative Group (CG)	Proposes clarification of definitions and combining (a) and (b) in paras 14 and 22
31	Jim Kirwin, IPSASB Consultative Group (CG)	Include “assistance in kind” in official resources definition. Require sources (country) of assistance
32	Japanese Aid Agency	Clarify if scope applies to project based financial statement
33	NZ Ministry of Foreign Affairs & Trade	Adopt ED on differential basis so that least developed countries identified by OECD are not required to comply with the more onerous requirements

Unclassified

DCD/DAC/EFF(2005)19

Organisation de Coopération et de Développement Economiques  
Organisation for Economic Co-operation and Development

English text only

DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE

### Working Party on Aid Effectiveness and Donor Practices

#### DRAFT WORK PROGRAMME FOR THE JOINT VENTURE ON PUBLIC FINANCIAL MANAGEMENT

To be held on 19-20 October 2005 at the OECD in Paris (La Défense)

*This document was prepared by the Co-Chairs of the Joint Venture on Public Financial Management. It is submitted for DISCUSSION at the meeting of the DAC Working Party on Aid Effectiveness scheduled on 19-20 October 2005. The work programme will be further amended to reflect comments made at the WP-EFF meeting and a revised short version will be incorporated into the final WP-EFF consolidated Work Plan.*

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Item 11.5 *OECD JV PFM Work Programme*  
IPSASB Tokyo, March 2006

Document complet disponible sur OLIS dans son format d'origine  
Complete document available on OLIS in its original format



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## WORK PROGRAMME

1. Following the Paris High Level Forum on Aid Effectiveness (2 March 2005) and in view of the mandate given to the OECD-DAC Working Party on Aid Effectiveness in “**tracking and encouraging progress at the global level among the countries and agencies that have agreed to the Declaration**”, the Joint Venture on Public Financial Management will seek to facilitate the implementation of the Paris Declaration as it relates to public financial management.

2. In particular, the Joint Venture will support activities relating to Public Financial Management issues aimed at (i) fostering implementation of commitments made at the High Level Forums in Rome and Paris, and (ii) sharing PFM knowledge and experiences among donors and partner countries. In doing so, the Joint Venture will coordinate its activities with relevant institutions and bodies established under the auspices of the Working Party on Aid Effectiveness.

### WORK PROGRAMME

#### *Scope of activities*

3. The work of the Joint Venture will focus on five main areas:

- 3.1 *Monitoring adoption of harmonised frameworks* — Monitoring the adoption of harmonised performance assessment frameworks for public financial management systems, notably the Public Financial Management Performance Measurement Framework developed by the Public Expenditure and Financial Accountability (PEFA) Programme\*.
- 3.2 *Good practice in supporting PFM reforms* – Synthesize and disseminate the experiences of partners in the design and implementation of PFM reforms, examine issues relating to the provision of donor support for such reform programs
- 3.3 *Sharing knowledge on training in the area of PFM* — Identify good practices and sharing experiences of harmonisation and alignment in the training in public financial management of relevant actors in the donor community and among partner countries.
- 3.4 *Guidance on monitoring the Paris Indicators*—Offering technical support to the Group on Monitoring the Paris declaration with respect to the refinement of targets, the provision of guidance, the establishment of baselines and the collection and aggregation of information, notably with respect to indicators 2a (reliable country financial management systems) and 5a (use of country public financial management systems). In this context, the Joint Venture will investigate the needs and explore the means to ensure a coherence between indicator 2a and the assessments carried out under the harmonised performance assessment frameworks mentioned under 1.1 above.

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\* A multi-agency partnership programme, PEFA has developed a Public Financial Management Performance Measurement Framework in consultation with the Joint Venture as a contribution to the collective efforts of many stakeholders to assess and develop essential PFM systems. Having been endorsed by the PEFA members in June 2005, various applications of the Framework are currently on-going or being planned. A review based on these early experiences is planned in 2006. After that date, the PEFA secretariat is expected to continue operating primarily to provide coordinated technical support and review in the implementation of the Framework with the aim of facilitating the dissemination of the Framework, guarantee the consistency of its applications and the credibility of its results.

- 3.5 *Accounting standards on external assistance* — Follow-up with the International Public Sector Accounting Standards Board<sup>1</sup> on an accounting standard on disclosure requirements for recipients of external assistance.

### ***Working Arrangements***

4. In order to carry out efficiently the activities identified above, the Joint Venture will:
- 4.1 Rely upon suitable organisational arrangements to ensure the development of the technical preparatory work required to support the activities identified above. In this respect, it is proposed that:
- a. For the activities described under 3.1, the Joint Venture will rely upon the work carried out by the PEFA programme, and notably its Secretariat.
  - b. For the activities described under 3.2 and 3.3, the Joint Venture will rely upon small informal sub-groups led by a member with outstanding experience in the specific area of enquiry. Subject to the availability of resources, the use of suitably qualified independent consultants may also be considered.
  - c. For the activities described under 3.4, organisational arrangements will depend upon the nature of the assistance demanded by the Group on Monitoring. However, given the technical nature of the potential requests and the need to ensure detailed knowledge on a wide geographical scale, preparatory work is likely to be led by multinational institutions and/or the OECD secretariat.
  - d. For the activities described under 3.5, the Joint Venture will rely upon the work carried out by the secretariat of the IPSAS Board programme with, where appropriate, support from small informal sub-groups led by members and/or the OECD secretariat.
- 4.2 Consider holding meetings in one or two partner countries members subject to their readiness to host such meetings. Prepared by a preceding joint technical mission, such a meeting would aim to hold a debate on (a set of) the issues described under point 3.2 on the basis of one concrete country case. While the meeting would neither aim to produce a full-fledged evaluation nor a comprehensive measurement of progress towards the Paris Declaration indicators, it would provide a useful check against reality and help identifying the actual obstacles against increased alignment and harmonisation. The meeting would therefore offer complementary insights to those provided by the more aggregated monitoring and learning activities undertaken by the Joint Venture.

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<sup>1</sup> In November 2001, the OECD wrote to the International Public Sector Accounting Standards Board (IPSASB) with a request for the IPSASB to develop a standard on Development Assistance. Since then the IPSASB has developed and issued an exposure draft of a proposed IPSAS. Exposure draft ED 24 “Financial Reporting under the Cash Basis of Accounting – Disclosure Requirements for Recipients of External Assistance” was issued in early February 2005. This ED was developed after extensive consultation with, and input from, a project advisory panel and the OECD-DAC Joint Venture on Financial Management.

**FORMAL ARRANGEMENTS**

5. *Chairing arrangements* — The Group will be co-chaired by representative(s) of donor organisation(s) and a representative of a partner country.
6. *Membership* — The Joint Venture is open to Members of the OECD-DAC Working Party on Aid Effectiveness who have relevant expertise in the area of PFM. Other organisations or representatives may be invited as deemed desirable by the members of the Joint Venture. In particular it is proposed to extend an open invitation for participation to a representative of the PEFA Programme secretariat.
7. *Time frame and reporting procedures* — The co-chairs of the Joint Venture will report to the OECD-DAC Working Party on Aid Effectiveness. Products emerging from the Joint Venture will be forwarded to the Working Party for discussion before they are finalised and disseminated.
8. *Support and finance* — The cost of operating the Joint Venture will be met by the Working Party on Aid Effectiveness. The Joint Venture will prepare a 3 year work programme and budget for consideration and approval by the Working Party. The Joint Venture will receive staff support from the OECD-DAC Secretariat while, if members agree to commission additional work not covered by initial budget, such work will focus on specific tasks that can realistically be done by individual Joint Venture members who have relevant expertise in PFM issues.
9. *Frequency and venue of meetings* — The Joint Venture will convene as often as members deem necessary and feasible. Meetings will generally be held at the OECD in Paris or can be hosted by any member of the Joint Venture, including partner countries. Appropriate use of electronic and remote forms of communication will be made so as to avoid unnecessary meetings.

**OUTPUT-BASED CALENDAR OF ACTIVITIES**

<b>Activities</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>3.1: Monitoring adoption of harmonised frameworks</b>	Review implementation of harmonised PFM performance assessment frameworks	Review implementation of harmonised PFM performance assessment frameworks	Review implementation of harmonised PFM performance assessment frameworks
	Report to WP and provide feedback to PEFA for fine-tuning of framework as may be necessary.	Report to WP and provide feedback to PEFA for fine-tuning of framework as may be necessary.	Report to WP and provide feedback to PEFA for fine-tuning of framework as may be necessary.
<b>3.2: Good practice in supporting PFM reforms</b>	Synthesize experiences of design and implementation of PFM reform programs based around a sample of country case studies	Prepare report and disseminate findings through WP and JV	Prepare Good Practice Note based on findings and feedback from JV.
<b>3.3: Sharing knowledge on training in the area of PFM</b>	Review of experience	Monitoring report	Monitoring report
			Good Practice Notes
<b>3.4: Guidance on monitoring the Paris Indicators</b>	Outputs to be determined in consultation with Group on monitoring.		
<b>3.5: Accounting standard on external assistance</b>	Together with IFAC, develop a framework for extending field testing on proposed standard.	Receive feedback from field tests, propose amendments to ED 24.	