

# REPUBLIC OF KENYA

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THE TREASURY

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25<sup>th</sup> July 2005

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PRETORIA

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### **RE: ED 24 ACCOUNTING FOR EXTERNAL ASSISTANCE – SPECIFIC MATTERS FOR COMMENT**

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Please refer to your e-mail dated 21<sup>st</sup> June, 2005 regarding the above subject. As you will note the time given for submission of comments was too short and as such it was not possible to give our comments by the deadline. However, we have now gone through the Exposure Draft and we wish to comment the specific matters as follows:-

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

Comment:

The definition is sufficiently broad to encompass all official resources received.

2. Whether other sources of assistance, such as assistance provided by NGO’s should 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 ..... certain assistance received from NGO’s

Comment

We concur with your comment that NGO’s assistance be excluded from the definition of external assistance. Most developing countries, Kenya included, do not have the ability and capacity to track all the aid coming and being able to account for it. We need to put in place sound accounting system to enable developing countries to manage and track all external assistance

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.

Comment

The ED is asking for too much information. Most developing countries are currently struggling to come up with accounting systems that will help them improve in accounting and reporting. The categories of external assistance as required in paragraphs 13-15 are likely to be cumbersome and should be reduced to a few categories to make it simple for financial reporting.

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

Comment

Disclosure of undrawn external assistance is good practice but this should be harmonized with issue number 3 above especially on the categories or groups to make it easier for reporting.

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).

Comment

We agree with your comment on this matter. The terms and conditions of external assistance are usually contained in the respective external assistance agreement documents. Reproducing them in the notes to the financial statements is really too onerous and unnecessary. Perhaps it is sufficient to make reference on them in the notes for readers of the financial statements to get details if need be.

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 service  
In the recipient country

Comment

This ED should avoid complicating matters for those targeted to apply it. From practical point of view, it is going to be difficult to apply this proposal. Perhaps the note could remain in the mandatory part and the values put in the recommended part of the standard as suggested in you comment.

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

Comment

This ED standard is targeting countries which receive external assistance, particularly the developing countries. A standard that is going to be of assistance to recipients in discharging accountability and resolving issues of comparability will be most welcome. Because most developing countries do not have strong systems and capacities, it is imperative that this standard (ED) be as simple and practical as possible so that the targeted users are able to apply it. The disclosures proposed in this draft appear to be too onerous and a simplification will greatly help those targeted.

8. Whether the proposal in paragraph 54:-

- (a) For a transition period of two year 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 requirements to disclose comparative figures during

Comment

Both provisions are alright but perhaps a transition of 3 years and not 2 years will be long enough to apply this standard.

Finally and as you will note, this standard is targeting developing countries who receive external assistance. Most of these countries and especially the ESAAG group are struggling to have better systems for use in the respective countries. The ED proposals are too onerous for the time being. Simple proposals for disclosures should be proposed for now pending improvements in our accounting systems which are currently in transition. We should strive not overburden the existing system for now. We should start with a simple standard on accounting for external assistance and then gradually build on this as our countries improve their systems.

I hope you will find these comments useful

**S.L BOBOTTI (MRS)**  
**ACCOUNTANT GENERAL**

22<sup>nd</sup> July, 2005