

STRATEGY over the period 2004-2006

The Task Force on Harmonization of Public Sector Accounting (TFHPSA)

I. PURPOSE OF THIS NOTE

1. The following is a strategy and timetable for the international Task Force on Harmonization of Public Sector Accounting (TFHPSA) for the period 2004–2006. It builds on the work to date of the TFHPSA, that is, the timetable and a list of items identified at the October 3, 2003 and the February 6–11, 2004 meetings.
2. The proposal also takes into account the agenda of the Advisory Expert Group (AEG) regarding the *1993 SNA* review, as the TFHPSA work provides major inputs on general government and public sector topics. The current AEG plan envisages the publication of a final product called *1993 SNA rev. 1* scheduled for 2008, with the essential aspects of the revision reaching a final stage in early 2006. At the moment, three one-week AEG meetings are scheduled: February 16–20, 2004; November 29–December 3, 2004; and November 2005.
3. In addition, it considers the work of the International Federation of Accountants Public Sector Committee (IFAC PSC) in developing International Public Sector Accounting Standards (IPSAS). Finally, it takes into account, as relevant, the work of the annual Senior Budget Officials (SBO) Accrual Symposium at the OECD.

II. ORGANIZATION AND ACTIVITIES OF THE TFHPSA

A. The TFHPSA and its two Working Groups

4. The TFHPSA is chaired by the IMF, with the OECD as secretariat. It liaises on issues related to the public sector with other bodies and task forces, notably the AEG and the IFAC/PSC, to which it submits views and decisions. The TFHPSA conducts its activities through two Working Groups.
5. The focus of Working Group I, under the leadership of the PSC, is on source data while that of Working Group II, led by the OECD, is on statistical outputs, with the close participation of the IMF's Government Finance Division (GFD) in both Working Groups.
6. Working Group I seeks measures to achieve harmonization between the IPSASs published by the PSC and the *Government Finance Statistics Manual 2001 (GFSM 2001)* published by the IMF (and the Eurostat's *ESA 1995 Manual on Government Deficit and Debt* where applicable). It has developed a matrix (Matrix1) that categorizes the differences into the identification of the boundary of the entity that is the focus of each framework; definition, recognition, and measurement; and, finally, presentation of the financial statements published under each framework. Its goal is to document in detail these differences and classify them according to the process envisaged for harmonization. These processes comprise:

(1) clarification by the PSC or IMF–GFD; (2) action by the AEG or PSC; or (3) reconciliation. The proposals that require action by the PSC will be considered at the PSC meetings.¹

7. Working Group II provides input to the on-going review process of the *1993 SNA* that is being carried out by the AEG in conjunction with the Intersecretariat Working Group on National Accounts (ISWGNA). Working Group II examines a GFS list of issues that it prioritized for clarification or interpretation or change to *1993 SNA*. It also provides inputs for TFHPSA positions on public sector related topics already being discussed in other ISWGNA expert groups (e.g., Canberra II and EDGs).

8. The five priority topics selected are: (1) **relations between government and public corporations**: capital injections, superdividends, and reinvested earnings; (2) **government/financial intermediation boundary**: privatization agencies, restructuring agencies, and securitization (Special Purpose Vehicles); (3) **the recording of taxes**: valuation and time of recording, and tax credits; (4) **public sector and general government boundaries**: the notion of control and market/nonmarket activities; (5) **economic asset boundary**: guarantees, liability provisions, and “constructive obligations.” Draft documents were examined on these topics, except for topic 2, on February 9–11, 2004.

B. TFHPSA membership

9. The membership of the TFHPSA and its Working Groups has been constituted on the basis of letters of invitation to institutions nominated by participants at the October 3, 2003 meeting. On November 14, 2003, the Chair circulated a letter to 22 statistical institutions, informing them of the TFHPSA’s establishment, its stated objectives and its two Working Groups. The Chair also requested that the OECD circulate the same letter to selected parties in the accounting community that is the Senior Budget Officials (SBO). At the February 2004 meeting, the Chair emphasized the importance of countries being represented in the Task Force, along with international organizations; absent countries will be encouraged to join (notably non-OECD).

10. TFHPSA membership involves:

- participating in the February 2004 and subsequent meetings (at own cost);
- participating in the drafting of documents (writers collaborate and consult via e-mail);
- having access to the documents of the TFHPSA and its two Working Groups, routinely posted on the web site of the TFHPSA (maintained by the OECD), via a code provided by the OECD; and
- communicating via e-mail and meetings with the TFHPSA chair and secretariat.

¹ The PSC meets three times a year.

III. DELIVERABLES FOR THE TFHPSA

A. February 2004

Working Group I

11. At its February 6–7, 2004. Working Group I reviewed Matrix 1:
 - a. its exhaustiveness;
 - b. the classification; and
 - c. the proposed actions for each item.

12. Many of the issues identified are being referred as follows:
 - a. The PSC will be invited to consider three priority issues:
 - disclosure of financial information for the general government sector;
 - performance reporting— showing two columns: income before remeasurements (transactions) and remeasurements; and
 - valuation (current value) of assets of liabilities.
 - b. Working Group II would review:
 - public sector definition (control definition);
 - payments between governments and public corporations; and
 -
 - c. Relevant Expert Groups would be advised of Working Group I’s interest in some of their topics:
 - Canberra II group of national accountants—Research and development, Intangible assets, Mineral exploration, Computer software, Defense weapons platforms, BOOT schemes, Subsoil assets; and
 - BOP Committee and other Expert Groups—EDG on non-performing loans (provisions), EDG on pensions, low interest and interest-free loans.

The long-term goal is to align definitions and terminology between IPSASs and GFS. Future meetings of Working Group I will be undertaken on “as needs basis”.

Lucie Laliberté
TFHPSA Chairperson

Working Group II

13. Working Group II met, on February 9–10, 2004, to:

- (a) review the five identified priority topics on the basis of submitted papers. Tasks were identified, with teams created as follows (team leaders identified in brackets):

Topics/issues and team leaders:

(1). Government transactions with public corporations (**P. de Rougemont**)

1.1 Accrual of earnings (reinvested earnings and dividends)

1.2 Funding (dividends and capital injections)

(2). Privatization / restructuring agencies and SPVs (**D. Besnard/J-P. Dupuis**)

2.1 Privatization

2.2 Agencies, bad banks and other SPVs

2.3 Securitization

(3). Tax revenue (**J-P. Dupuis**)

3.1 Tax revenue and accrual recording

3.2 Tax credits

(4). Private / public / government sector delineation (**B. Gruber**)

4.1 Public vs private: the definition of control (including BOOT schemes)

4.2 Government vs other public sector: the market / non market criterion

(5). Contingent assets / guarantees / provisions / constructive obligations (**J. Golland**)

5.1 Guarantees and loan partitioning

- (b) discuss the idea of grouping together government/public sector issues in a SNA Chapter/Annex to present (1) the framework and its uses (revenue, expense, etc.) and (2) describe in more detail SNA issues of specific government/public sector importance; and
- (c) be briefed on developments in other fora that are relevant to the work in points a) and b) above.

Task Force

14. The results of the Working Groups were presented to the TFHPSA on February 11. The TFHPSA Chair presented preliminary deliberations to the February 16–20, 2004 AEG meeting. The AEG indicated its interest in pursuing action on those five priority topics and provided advice. The TFHPSA will open discussions with the AEG on the draft chapter/annex in government/public sector issues for the *1993 SNA*, Rev 1.

Lucie Laliberté
TFHPSA Chairperson

B. March–Fall 2004

Working Group I

15. Working Group I will update Matrix I to reflect the outcomes of the TFHPSA February 2004 meeting and submit it to the PSC for consideration at the PSC March 2004 meeting. The PSC will also be briefed on the outcomes of the February, 2004 meeting especially the priority issues. Additional material (for example, on sectorization) will be drafted to assist the PSC on convergence issues.

Working Group I will provide elements of Matrix 1 deemed relevant for each topic to the Working Group II Chair and topic leaders, and relevant Expert Groups.

Working Group II

16. By **April-end 2004**, team leaders will provide to Working Group II members documents on those issues relevant to the public sector that were identified as priorities for the update of *1993 SNA*. Working Group II will receive documentation on other issues raised by TFHPSA members during March-June 2004.

17. By **June 2004**, team leaders will submit to Working Group II members “living documents” for each of the five priority topics that incorporate views of Working Group II. They will encompass: (1) a list of questions to be put to the TFHPSA members, (2) information as requested by AEG, including identifying paragraphs of *1993 SNA* that may be affected, and (3) if possible, draft *SNA* paragraphs. During the summer of 2004, the TFHPSA will conduct consultations.

18. By **August 2004**, Working Group II will submit Topics 1, 2, and 3 (on a provisional basis) that are scheduled to be presented to the November 2004 AEG meeting. Topics 3 (final), 4, and 5 are scheduled for the November 2005 AEG meeting.

C. Meetings, September 22-24 2004² in Washington

19. **Working Group I plans to communicate electronically, or meet if necessary in 2004, to:**

- a. review the reactions of IMF, PSC, and IASB and amend the Matrix 1 accordingly;
and
- b. review progress by Working Group II and other Expert Groups on related issues.

² The meetings tentatively scheduled for October 2004 was advanced due to date conflict with the IMF Annual Meetings and the AEG requiring submission of documents two months prior to its meetings.

The November 2004 PSC meeting will consider progress on the harmonization project.

20. **Working Group II meeting on September 22-23 2004**, to:

- a. agree on a final first write-up of documents for submission to the AEG on the three priority items, including proposed SNA paragraphs;
- b. take stock of the other two priority items;
- c. agree on an annotated outline of the SNA Chapter/Annex; and
- d. discuss the work of other fora, indicating the TFHPSA preferred outcomes as required.
- e. examine the Working Group I conclusions and review actions (jointly with Working Group I)

21. **TFHPSA September 24 meeting.** Through the Chair, the TFHPSA will consult for consistency between the two Working Groups and forward the products, notably on the three first three topics to the AEG.

22. Progress of the Working Group II will be presented to the AEG November 2005 meeting and other fora (e.g., OECD National Accounts Expert Group and to the OECD Revenue Group).

D. February 2005 Meetings in Paris

23. **Working Group I meeting**, with one day overlap with Working Group II.

- a. review of progress by the PSC; and
- b. examine common issues with Working Group II.

24. **Working Group II meeting:**

- a. review amended papers submitted on the three priority issues to the AEG, reflecting AEG comments, in case of need;
- b. review progress made for the two other topics;
- c. review the draft SNA Chapter/Annex;
- d. examine new issues raised during 2004; and
- e. examine the Working Group I conclusions and review actions (jointly with Working Group I).

25. The **TFHPSA** will assess progress in both Working Groups. It will consult with Working Group II and validate all the documentation to be sent to AEG and other fora, as required. The TFHPSA Chair will present its progress report to the OECD SBO February 2005 meeting.

Lucie Laliberté
TFHPSA Chairperson

E. Fall 2005 Meeting in Washington D.C

26. The TFHPSA will meet in September/October 2005, to review the final reports of the Working Groups.
- a. final examination of three last priority topics to be submitted to AEG;
 - b. final examination of the draft SNA Chapter/Annex; and
 - c. last debates on new issues, for quick finalization.
27. The TFHPSA submits conclusion to the AEG for the November 2005 meeting. Progress of the Working Group II is presented and discussed to the OECD National Accounts Expert Group and to the OECD Revenue Group.

F. February 2006 Meeting

28. TFHPSA will make a final presentation to the OECD SBO meeting.