

15 September 2022

International Public Sector Accounting Board (IPSASB)  
New York, NY  
USA

## **IPSASB Consultation Paper on Advancing Public Sector Sustainability Reporting**

We welcome the IPSASB work on advancing public-sector sustainability reporting. Sovereign and public sector entities account for a significant share of investments in sectors crucial for sustainable development and have obligations to protect and improve the management of public goods. Sustainability reporting can play a central role in attracting capital for sustainable development and enhancing transparency around activities of and decisions made by reporting entities. Progress has been made on corporate climate and sustainability reporting. However, sovereign and public sector entities are excluded from the scope of these disclosure frameworks and standards, which leads to a significant information gap.

Public sector reporting must find ways to bridge this gap by developing a framework that supports timely identification and disclosure of climate- and broader sustainability-related physical and transition risks and opportunities, which are essential for governments' ability to manage vulnerabilities and avoid unsustainable debt burdens. A deeper understanding of such risks would ideally give sovereigns greater ownership of their sustainable development narrative, resulting in better policy outcomes and more effective pricing signals from the market. In addition, developments of private and public sector sustainability reporting are inherently intertwined, with quality of data and information produced by the private sector in many cases dependent on quality and availability of relevant sets of the public sector data.

Sovereign and public sector entities require their own approach and framework due to their distinct mandates and reporting needs. These should build on the core elements and underlying principles of existing corporate-focused frameworks – such as the Taskforce for Climate-related Financial Disclosure (TCFD), existing Global Reporting Initiative (GRI) Standards, and the International Sustainability Standards Board (ISSB) Standards. In addition, the development of the public sector sustainability reporting guideline should consider the experiences and lessons from existing non-financial reporting practices by sovereign and public sector entities. Some government entities are already preparing, auditing, and publishing in their annual reports their performance against predetermined objectives as required by national legislation.<sup>1</sup>

As part of this process, adequate consideration has to be given to the definition and scope of the 'materiality' that would apply to climate and broader sustainability-related criteria, to

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<sup>1</sup> South African government entities are required (by Public Finance Management Act or Municipal Finance Management Act) to publish their performance against predetermined objectives.

ensure that proposed disclosure best enables effective government actions. Given sovereign and public sector entities' role in creating or managing the supply of public goods and services, it is important that various stakeholders including policymakers, investors, and public consider both financial and impact materiality of these entities' activities, also known as double materiality, in determining relevant factors for their decision-making.

The effective adoption of the public sector sustainability reporting guideline will depend on the governments' implementation of their key premises and integration of relevant sustainability criteria and indicators into their strategy, processes and systems. As such, adequate implementation support would be critical to build required technical and human capacity. In addition, the guidance should allow 'proportionate' adoption of the reporting requirements depending on the underlying context, in a similar way as is now considered for the private sector standards.

Finally, we agree that additional reflection is needed to determine the scope of this guidance in the future and understand readiness of various public entities across the world, and whether it warrants (at least at present) development of a complete set of standards. In addition, based on the implementation experience of the IPSAS accrual standards, it will be useful (in the future) to ensure that proposed standards or guidance will be accompanied by the adequate implementation support, and will include an option for gradual implementation approach. Our responses to the specific questions posed by the IPSASB (within this broader context) are summarized below.

**1. The IPSASB's view is that there is a need for global public sector specific sustainability reporting guidance. Do you agree?**

Yes, there is a need for public sector specific sustainability reporting guidance. The objective of this guidance should be to reinforce Governments' accountability to a broad group of stakeholders, to better enable these stakeholders to hold public entities accountable on what is being reported, and to improve governments' ability to design timely and effective fiscal and public financial policy in support of their climate and broader sustainability goals and commitments. As such, it makes sense to use the concept of double materiality (combining financial sustainability and broader public sector sustainability) while developing the relevant frameworks.

**2. The IPSASB's experience, processes and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively. Do you agree?**

IPSASB is potentially well-positioned to lead this process due to its global credibility, rigorous due process, robust governance structure, strong links with other key stakeholders within the global standard-setting community, and leadership commitment. However, significant reinforcements need to be put in place to deliver on the scope of envisioned ambitions and timeline. Among others, this would include identification of additional (missing) sustainability-focused expertise, adequate budget, as well as governance and processes adjustments. Success of the proposed initiative will be dependent on the implementation of these reinforcing measures.

- 3. If the IPSASB were to develop global public sector specific sustainability reporting guidance, please tell us what topics you see as most pressing in your jurisdiction and why these should be prioritized by the IPSASB.**

NA.

- 4. If the IPSASB were to develop global public sector-specific sustainability reporting guidance it proposes applying the framework in Figure 5. In developing such guidance, the IPSASB would work in collaboration with other international bodies, where appropriate, through the application of its current processes. Do you agree with the IPSASB's preliminary view?**

Yes. The proposed framework would accommodate the principle of double materiality and is compatible with approach taken by other major initiatives focused on this agenda. As process goes forward, the framework presented in Figure 5 could be further refined and clarified.

We also agree that if IPSASB were to undertake this initiative, it should closely collaborate with other international bodies leading these agenda. These include TCFD, TNFD, ISSB and GRI, as well as INTOSAI, the institution that will in the future guide development of auditing approach for public sector sustainability information. World Bank group will continue its collaboration with IPSASB as well as our client countries as part of this process.

Further, the guidelines could also address how to integrate and connect financial information (prepared in terms of prescribed national public sector reporting standards, ideally IPSAS) and the sustainability reports. Otherwise, there is a risk of two reports not being linked to each other, and therefore not achieving the intended objective of providing quality, relevant, comparable and understandable information that meets the user's needs. Considering that IASB and ISSB are encouraging organisations to apply the International <Integrated Reporting> Framework to connect the two reports (financial and sustainability reports), we propose that IPSASB also encourages countries to adopt the same approach.

- 5. If the IPSASB were to develop global public sector specific sustainability reporting guidance, it would address general sustainability-related information and climate-related disclosures as its first topics. Subsequently priority topics would be determined in light of responses to this consultation paper as part of the development of its 2024-2028 Strategy.**

Yes. This would be consistent with key global development and financing priorities and builds on the approach taken by the ISSB, which was defined in the course of the extensive public consultation process. Furthermore, eventual implementation of such guidance would require a very significant capacity building efforts as well as financial investments on part of governments, which offers additional rationale for "proportionate" approach.

**6. The key enablers identified in paragraph 4.2 are needed in order for the IPSASB to take forward the development of global public sector specific sustainability reporting guidance. Do you agree with the IPSASB's preliminary view?**

Yes. Also see our response to question #2.

Yours sincerely,

A handwritten signature in black ink that reads "Robert J. Saum". The signature is written in a cursive style with a large initial 'R' and a long, sweeping underline.

Robert Saum  
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Chief Financial Management Officer  
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